

Kenya Reports Putting Down A Coup by Air Force Rebels

Compiled by Our Staff From Dispatchers

NAIROBI — Rebels from the Kenyan Air Force tried to overthrow President Daniel Arap Moi on Sunday, but the state radio said that the coup had been crushed by loyal sections of the armed forces.

A military directive broadcast Sunday night over the radio called upon all rebels still at large to surrender with their weapons by noon Monday. It said those that failed to do so would face severe consequences.

Reports from the city center at 9 p.m. said the city was dark and deserted with the only sound an occasional rifle shot.

Radio Office Taken Over

President Moi, in a broadcast to the nation, thanked army leaders and their men for "their total loyalty to me and to the government and the people of Kenya." The president, speaking from the State House, announced an indefinite night curfew in the capital.

The rebels first took over the radio headquarters in Nairobi and announced that the "corrupt government of Daniel Moi" had been overthrown. The rebels, who called themselves "The August 1 Revolution," said Mr. Moi's "dictatorial" government was being overthrown because it had deviated from the path of Kenyan democracy.

One witness said that troops loyal to Mr. Moi had had then reoccupied the broadcasting headquarters after heavy shooting. Afterward came a broadcast statement that the rebellion by "elements of the air force" had been crushed and that Mr. Moi's government was very much in charge.

Mr. Moi apparently was at his country home 120 miles (190 kilometers) north of the capital when the coup attempt was mounted about 6 a.m. Ten hours later, he was seen driving into the capital smiling and waving at people under the escort of three truckloads



Daniel Arap Moi

nesses said some of the looters were smashing windows of automobile showrooms and stealing cars.

Nairobi tourist hotels were packed with vacationing foreigners, and they stayed indoors during the turmoil.

One hotel said a group of tourists arriving in the capital from the countryside were ordered off their bus miles from the city by soldiers who told them to stay inside a nearby house.

Center of Revolt

According to police, the center of the rebellion was the Embakasi air base, which adjoins Jomo Kenyatta International Airport. The sources said the rebels were mostly noncommissioned officers and enlisted men.

Diplomatic sources said the coup attempt was launched while major units of the Nairobi garrison were regrouping away from the city after maneuvers.

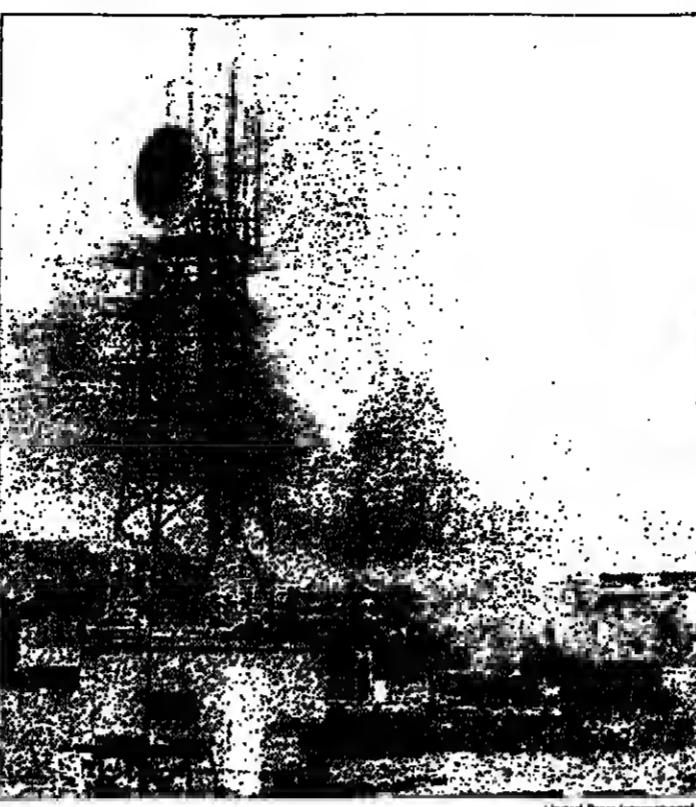
They said the rebels first seized the airport, robbing the civilian employees and forcing them to walk back to Nairobi.

The first word of the coup came when Leonard Mambu, one of Kenya's best-known announcers, made a statement in Swahili, the main language in Kenya, on the state radio. Mr. Mambu reportedly was taken from his house by the rebels to make the broadcast.

Sources speaking by telephone from the center of Nairobi said firing continued during the afternoon. At least some of it was coming from security forces firing into the air to frighten away looters.

The sources said that the police had responsibility for law and order in the center. The armed forces remained at key locations.

Motorists reported being stopped and robbed at the roadblocks, and civilians were looting stores throughout the city. Wit-



Behind a Lebanese Radio antenna, smoke rose from bombings Sunday by Israeli jets on Palestinian positions in West Beirut.

New Call for Resistance Is Issued by Solidarity As Crowd in Warsaw Urges Release of Walesa

Compiled by Our Staff From Dispatchers

WARSAW — The Solidarity independent trade union issued a new call Sunday for resistance to martial law, and thousands of Poles flashed victory signs and chanted demands for the release of union leader Lech Walesa at ceremonies marking the 38th anniversary of the Warsaw uprising.

The recorded appeal by Zbigniew Bujak, a fugitive Solidarity leader, was broadcast from atop a monument to veterans of the "home army" who launched the city's uprising against Nazi occupiers on Aug. 1, 1944.

The statement also proposed the creation of an underground resistance movement to fight for an end to martial law, the release of remaining internees and political prisoners, revival of Solidarity and the eventual achievement of a "self-governed republic."

The statements, dated July 28 and made available to reporters on Saturday, were the strongest call to action by Solidarity's leaders since martial law was declared. The documents reached Western reporters through channels usually used by the underground leaders in the past and appeared authentic.

The Solidarity leaders declared that in his speech to the Polish parliament on July 21, Gen. Jaruzelski, leader of the martial law government, "discarded hope of social accord." The general also announced the release of two-thirds of the martial law internees and said he would replace military rule with a government holding extraordinary powers by year's end if conditions have been "normalized."

Speech Assailed

However, Solidarity's statements asserted that Gen. Jaruzelski's speech showed that he had only shifted his tactics.

The further widening of the chasm between those governing and those governed will dramatically lower chances for emerging from the crisis," one document declared.

Another said that from Aug. 16 to 31, "The presence of our union will be exceptionally visible."

"We call for strengthening poster and leaflet actions. We call on union cells to organize peaceful demonstrations on Aug. 31."

The statement, however, issued no call for a general strike.

Aug. 16 will be the second anniversary of the establishment of the interfactory strike committee at the Gdansk shipyards. The committee's negotiations with the government led to the signing on Aug. 31, 1980, of the Gdansk agreements that laid the legal foundation for the Solidarity.

A third document released Saturday said that operation of a national "underground movement" was the only way to extract conces-

Beirut Airport Captured In Fierce Israeli Assault; 9th Cease-Fire Is Called

Compiled by Our Staff From Dispatchers

JERUSALEM — Israeli forces carried out a major offensive Sunday against Palestinian guerrillas in Beirut, and Defense Minister Ariel Sharon said Israel had captured the city's international airport.

In one of the biggest actions of the eight-week war, Israeli planes, ships and artillery bombarded Palestine Liberation Organization strongholds for about 14 hours before a cease-fire was arranged. It was the longest period of air attacks since the start of the Israeli siege of Beirut.

The truce, the ninth since the siege began, went into effect at 5 p.m. (1500 GMT). A previous cease-fire, broken Sunday, had been arranged Friday evening.

The United Nations Security Council, meanwhile, demanded an immediate cease-fire and a halt to all military activities in Lebanon. The new truce was going into effect as the council voted.

The council also authorized Secretary-General Javier Pérez de Cuellar to send UN observers immediately to monitor the situation in and around the city.

Sarkis Calls in Envoy

After the vote, the Israeli delegate, Yehuda Blum, said that to be effective, a cease-fire must be observed by all, but that the "terrorists," as he called the PLO, had consistently violated the other cease-fires in recent weeks.

Lebanese radio reported that President Elias Sarkis called in the

U.S. special envoy to the Mideast, Philip C. Habib, and the ambassadors of the Soviet Union, France and Britain to protest Israeli bombings of residential neighborhoods.

Premier Shafiq al-Wazzan called on all UN members to help stop the fighting. Beirut radio said Mr. Wazzan expressed surprise at the attack following a declarant last week in Saudi Arabia by Arab delegates, including the PLO, that the guerrillas were prepared to leave peacefully.

Mr. Sharon told a radio interviewer at a command post near Beirut that the Israeli Army had taken complete control of the airport, where for several weeks there had been periodic artillery battles. Mr. Sharon said the PLO had used positions there to attack Israeli forces.

Lebanese news photographers said, however, that PLO forces still held a runway on the western edge of the airport and that forces from the two sides continued sniping at each other after the cease-fire took effect.

The capture of the area would ease the way for an Israeli advance from the south. But Cabinet Secretary Dan Meridor said after an Israeli Cabinet meeting that the assault was not the beginning of a long-threatened invasion of West Beirut.

Prime Minister Menachem Begin of Israel had instructed his Washington ambassador to convey to the Reagan administration Israel's readiness for a cease-fire provided it would be "absolute and mutual."

Mr. Sharon said the government still hoped that Mr. Habib, President Reagan's special envoy, could

(Continued on Page 2, Col. 4)

Moi Committed to Kenyatta's Path

But Rule Has Become Harsher Amid Economic Woes

Compiled by Our Staff From Dispatchers

NAIROBI — Daniel Arap Moi, whose regime apparently survived a coup attempt Sunday, emerged from the shadow of Jomo Kenyatta to become Kenya's second president. He pledged to uphold his predecessor's policies but wielded a new broom to sweep out corruption and tribalism.

The tall, reserved former schoolmaster promised to retain the principles by which Kenya had developed into one of Africa's most secure and successful states since after its independence from Britain in 1963.

But he immediately laid the emphasis on stamping out corruption, nepotism and tribalism, which he had opposed during more than 10 years as vice president and interior minister.

Predictions of names following the death of Mr. Kenyatta in August 1978, after 15 years of individual and inspiring rule, were confounded when Mr. Moi confidently assumed power under the provisions of the constitution.

It was one of the few constitutional transitions of power in post-colonial Africa.

Formal Declaration

The only candidate of the ruling party, the Kenya African National Union (KANU), Mr. Moi was formally declared president for the remainder of Mr. Kenyatta's term of office on Oct. 10, 1978. He was elected to a full five-year term on Nov. 8, 1979.

Kenya, which recently enjoyed a booming economy on the strength of a lucrative tourist industry and vast tea plantations.

Recently, however, Mr. Moi has come under attack from liberal elements in Kenyan society for his increasingly autocratic administration and diminishing tolerance for opposition.

Forced onto the defensive by the deteriorating economy and growing food shortages, Mr. Moi has increasingly used force to silence opposition.

One-Party State

In June, Kenya became a one-party state with the passing of two constitutional amendments effectively outlawing opposition parties. Mr. Moi also launched a crackdown on political dissent, blaming "outside foreign forces" and "Marxist elements" at the university for fomenting revolution. Since June 11 at least 11 persons, including eight university lecturers, have been detained under security laws.

Last week George Githii, editor of *The Standard*, an English-language daily newspaper, was fired for publishing an editorial demanding the release of political detainees and criticizing constitutional provisions allowing the government to jail opponents without trial.

Kenya's military has been reported restive in recent months. There have been widespread rumors that defense forces were been paid for two months earlier this year.

Mr. Moi, who was born in 1924,



FRENCH CRASH KILLS 44 CHILDREN — Forty-four children and nine adults were killed Saturday near Beanne, France, when two buses, carrying children to summer camp, crashed into vehicles on a rain-soaked highway. It was France's worst road accident. Page 2.

INSIDE

■ A Reagan-Brezhnev summit looked less likely than ever after the U.S. president last week all but wrote off the 18 months of diplomatic maneuvering over a meeting with the Soviet leader. Page 3.

■ In a Panamanian government shakeup, senior officials agreed to quit as ordered by the National Guard after the resignation of President Aristides Royo. Ricardo de la Espriella, the vice president, replaced him. Page 3.

■ South African Prime Minister Pieter W. Botha won unanimous endorsement from a special federal congress of his ruling National Party to end exclusive white rule by setting up separate Parliament chambers for Asian and mixed-race South Africans, but reaction to the proposal among non-whites was cool. Page 5.

■ A Liberia supplement examining trends in the West African

As Party Forum Nears, China Reverts to Old Orthodoxy

By Christopher S. Wren
New York Times Service

PEKING — As a major Communist Party congress looms this autumn, the Chinese leadership has been swinging the country back toward its old orthodoxy, with new constraints on foreign contacts and study abroad and a revival of ideological attacks on Western values.

The sour mood developing over the last few months evokes the xenophobia that existed in China before Peking opened its doors to Western influences in the mid-1970s. Some diplomats are finding unofficial access to the Chinese people increasingly difficult. One European journalist with several tours in China calls the climate the tightest he has seen since before Mao died in 1976.

This all seems to be linked to the 12th party congress, at which Deng Xiaoping, China's foremost leader, is expected to try to purge the policy-making membership of Maoists and supporters of Hua Guofeng, whom he removed last summer as party chairman. Chinese sources expect the party congress to begin sometime in September.

Consequently, some Western diplomats speculate that Mr. Deng is using the crackdown to protect his agricultural and economic programs from criticism, since ideological hard-liners fear that his open-door policy of trade with the West is letting in bourgeois ideas that will corrupt the Chinese people.

The influence of decadent capitalist ideology on

much greater and more serious than in any previous period," the *Weekly Digest* declared in June.

One Western diplomat views such ideological attacks as a ramification of an anti-corruption campaign that was begun earlier this year and now appears to have bogged down.

The campaign against economic crime never reached the higher echelons of the party and government.

China warns the United States again not to sell arms to Taiwan. Page 5.

ment, despite public expectations, and the diplomat said he believed that foreigners were now being made a scapegoat because of internal resistance.

"The argument is that corruption isn't basically Chinese and wouldn't exist but for foreign influence," the diplomat said.

Social Contacts Discouraged

The most visible sign of the times here has been another Western diplomat called "a fairly extensive clampdown" on unauthorized contacts between Chinese and foreigners. Some Chinese with Western friends have been summoned for police interrogation, according to the friends.

Foreigners teaching English at some institutes in Peking have been shifted out of communal dormitories into segregated quarters.

Even third-graders are being warned to be wary of

The case of Lisa Wichter, an American teacher detained and expelled early in June for allegedly stealing state secrets, has been introduced in political study sessions, according to a Chinese student, with an implication that all foreign teachers are possible spies.

Miss Wichter's "state secrets" were unpublished economic and agricultural statistics that she had collected for a doctoral thesis. Her friend, Yi Xigong, is now in jail here.

Since April 1, the children of high-level government and party officials have been effectively barred from going abroad to study. The unpublished directive reportedly has engendered resentment because Mr. Deng and other leaders sent their children abroad before it went into effect. Mr. Deng's son is studying at the University of Rochester.

Other Chinese graduates wishing to study abroad must now work for a year before applying, when they presumably will be more ideologically mature. And some returning students are being sent through "re-orientation" courses lasting up to eight weeks, according to one Peking source.

Sticking Together

The latest prohibitions on foreign travel do not seem to affect official delegations visiting the West. A U.S. Embassy spokesman said that the number of Chinese going to the United States on official business rose 54 percent in the first six months of this year

together to avoid bourgeois contamination. The Workers Daily last month severely criticized several members of a Chinese delegation who split off to enjoy the seamy sights of Hong Kong.

A renewed obsession about state secrets which in China means whatever the government chooses not to publish, was evident in an interview with Deng Yingchao, the widow of Premier Zhou Enlai, which Peking newspapers published July 1.

Miss Deng was quoted as saying that she and her husband never discussed classified information with each other and that Mr. Zhou never let relatives and friends into his private office.

There has also been a campaign against so-called Western pornography, which includes rock music tapes as well as racier videotapes and books.

Such bans reflect a fear within the Chinese leadership that exposure to the West will undercut the appeal of the Communist Party, which already suffers from a credibility gap with youth.

The *Weekly Digest*, a sister publication of the People's Daily, warned in June that "external reactionary forces" were waging a campaign to blur the distinctions between capitalism and Marxism. The article went on to label as sinister such Western ploys as academic and scientific exchanges and foreign radio broadcasts.

Released Poles Appear Alienated

Ex-Detainees Still Defiant but Next Role Is Unclear

By Dan Fisher

Los Angeles Times Service

WARSAW — Released after months of internment, the men marched out of Warsaw's Bialoleka Prison with smiles on their faces and Solidarity badges pinned proudly to their shirts.

The display of badges, a small act of defiance, made it clear that they still clung to the ideas for which they were imprisoned, some of them as long ago as last December, when martial law was imposed in Poland.

But their waiting friends and relatives who had managed to stay out of prison did not see pride in the badges. They saw danger. "For God's sake, take those off," one exclaimed.

He knew that wearing such symbols in public would simply invite arrest for illegally protesting martial law.

The incident illustrates what a Catholic Church official called the "disillusioning experience" that hundreds of internees released in recent days are facing as they emerge into a nation that is much different from the one they knew.

Out of Touch

Most of them were arrested as activists in or sympathizers with Solidarity, the independent trade union movement. In detention, they have been out of touch with events in Poland.

How they will adjust and what role they will play is still uncertain. But there are so many of them and the situation is still so volatile that they will undoubtedly be an important factor in the Polish crisis continues.

More than 6,000 Poles have

been interned for varying periods since martial law began Dec. 13. The figure does not include 4,000 to 6,000 persons who were arrested for martial-law offenses. The internees are not charged with any offense and are being detained, the government says, to prevent them from causing trouble.

All but about 700 of the internees have been released. Those still held include virtually all the top Solidarity leaders. About 2,000 have been freed in the last two months, more than half of them between July 21 and July 27.

On the basis of interviews with some of the newly released internees and with Polish and diplomatic sources who have had extensive contact with them, it appears that many of them are alienated from Polish society.

Circumstances Described

Sometimes their confusion comes through only indirectly. For example, many of them insist on describing the circumstances of their arrest in minute detail, emphasizing how unjust they think it was.

"For us, martial law is something you live with, like cancer or a heart condition," one observer commented. "But they're still in the stage of denial — this can't happen here."

"I feel like I came from another planet," a bearded young activist said on his third day of freedom after more than seven months in Bialoleka.

"I thought people would be more ready to fight," he went on, conceding that he was emerging from an "extremist" environment where "everyone wanted to fight."

phones are bugged. So anyone who makes contact with them is in danger.

Many former internees are also unwilling to risk a long jail term by getting involved with the underground.

The released internees are under enormous emotional stress, particularly the ones who had been elected to represent workers," said a former Solidarity staff member.

"They feel they still have a mandate and should do something. But

they are bugged. So anyone who makes contact with them is in danger.

arrange a peaceful PLO withdrawal from West Beirut.

An Israeli official in Jerusalem, however, said Sunday that they have still not received satisfactory assurances that the PLO is willing to leave Beirut and declared that Israeli forces will be bound by no "fixed rules" in returning fire from the Palestinians in the city.

Israeli radio Sunday night quoted sources as saying that Mr. Habib believes that negotiations on the details of a PLO withdrawal from Beirut should begin in two or three days. The radio said Mr. Habib has already worked out "withdrawal routes and schedules," but that in the opinion of Israeli sources "there is still no sign indicating this as fact."

Pressure, Retrials

Israeli officials said there were four reasons for the intense bombardment of Sada: to pressure the guerrillas to leave and to serve as a reprisal for Palestinian mortar and missile attacks that Israel said had violated the cease-fire.

Lebanese police said at least 200 persons were killed and 400 wounded during the Israeli attacks Sunday. The report could not be verified independently.

The PLO news agency, WAFA, said the Israelis broke the truce with a shell barrage early Sunday in the area of the airport on Beirut's southern edge.

The PLO and its leftist allies struck back with artillery fire directed both at the Israeli forces and at Christian East Beirut.

WAFA said PLO forces shot down an Israeli helicopter offshore from central West Beirut on Sunday morning.

By mid-afternoon the agency reported that a fresh Israeli mechanized brigade, supported by air strikes, had entered the battle for the airport. Israeli tanks have held the airport runways almost since the start of the siege, but cargo buildings further north had been in Palestinian hands.

Garrison Warned

Lebanese tanks drove onto an airport runway, warned a small Lebanese police garrison against resistance, then moved north to the airport highway to battle guerrillas on the fringe of a Palestinian refugee camp.

WAFA said fires were raging out of control and the fighting prevented ambulances from reaching the wounded, the agency said.

Lebanese officials said Israeli ground troops were reported advancing on the city's main Palestinian refugee camps. But Mr. Meridor said the troops were under order not to attack refugee camps.

At the same time, Mr. Bar-On has told that Col. Geva's action will not serve as an example for others.

"There is an overriding feeling that your opinion should work only on the political level," said Mordechai Bar-On, who was chief education officer of the army and has just ended a tour of wartime reserve duty as a colonel. "In the army one must abide by majority decisions."

Mr. Bar-On is clearly torn between loyalty to the army and his position as a spokesman for the Peace Now movement, a group of activists that favors reconciliation with the Palestinians and withdrawal from occupied territories.

"Eli Geva did what he did very gallantly, and he is paying a high price for his principles," said Mr. Bar-On, an historian and political scientist. "What he did is of major importance in terms of Israeli decision-making. It will make it easier for the government to decide to withdraw from the occupied territories."

They consider it equally to be expected, within the country's military and political traditions, that Col. Geva, having become a controversial public figure without his part, would not take advantage of his new civilian status to explain himself and defend against his critics.

Col. Geva so far has told those who ask to interview him that he prefers to remain silent on the controversy, at least while the war continues.

Image of Society

The Israeli Army is regarded here as a remarkably faithful image of the country's civilian society.

In normal times the army consists of a small corps of professionals surrounded by young men and women fulfilling their compulsory service and augmented by veterans fulfilling several weeks of annual reserve duty. In times of war, the number of reservists mobilized swells dramatically, creating an image of a combat force of incon-

Nimeiri Arrives in Turkey

The Associated Press

ANKARA — President Gafar Nimeiri of Sudan arrived Sunday for talks with the Turkish head of state, Gen. Kenan Evren.

Great for Music

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Yehudi Menuhin Festival

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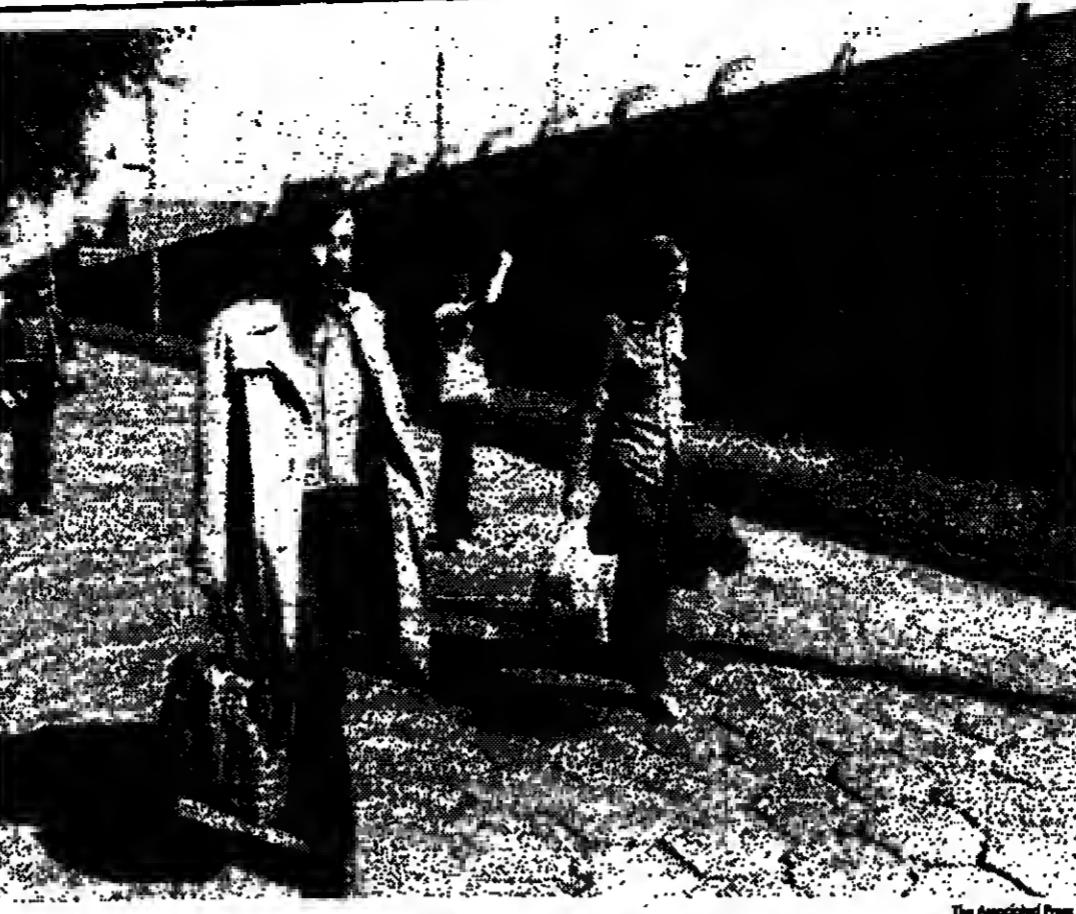
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The Leading Hotels of the World

From July 5th through August 27th, Monday through Friday, the International Herald Tribune will present the news in English at 10 a.m. on radio station RMC.

Ecoutez la radio qui vous écoute

Radio Monte Carlo



Polish internees leave Bialoleka Prison after being freed in the latest round of releases.

on the other hand, they know they're watched."

In addition, the former internees must adjust to a dramatically changed economic situation.

"Things are a bit more expensive," one said sarcastically, referring to price increases that have more than doubled the cost of living since he was detained.

Most of the released internees have a job waiting for them because martial law regulations prohibit the firing of anyone detained without charges. But there are an unknown number of Poles who were fired before they were interned, usually for taking part in a strike.

The Catholic Church also helps former internees, providing food, money, legal aid and other assistance.

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United States should be free of big-power military bases," Mr. Abshir said. "We would not allow anything that would give the appearance of a military base or anything that would bring about East-West confrontation. We would not accept it from the Americans or the Soviets."

The assessment that an insurgent victory would be imminent to U.S. strategic interests was shared by Western diplomats in Nairobi, but from a different perspective.

The Western view is that because Libya is reportedly arming, financing and supporting the insurgents, and because the insurgents are thought to be fighting alongside large numbers of Ethiopian regulars in Somalia, a natural consequence of a victory by them would be a demand for the United States to relinquish its dominant position in Somalia.

Both Ethiopia and Libya are supported by the Soviet Union, and last year the two nations signed a tripartite agreement with Southern Yemen that Mr. Siad Barre has indicated he perceives as this fact."

The insurgent offensive began in early July, prompting the United States, Somalia's main ally, to begin

Somali Rebel Says U.S. Could Lose Access to Port if Regime Falls

By Alan Cowell

New York Times Service

NAIROBI — The United States would stand to lose its military access to the northern Somali port of Berbera if insurgents fighting against President Mohammed Siad Barre triumph in the month-old hostilities, according to a principal spokesman for the insurgents here.

Washington has an agreement with President Siad Barre guaranteeing access by U.S. military units to the airfield and port at Berbera, a former Soviet installation. It was once viewed as a high priority by U.S. military planners, but Western diplomatic sources say it is now granted less prominence in Pentagon thinking.

Insurgent Spokesman

The access agreement is nonetheless significant, for it provides the United States with one of a string of military facilities for ships and aircraft stretching from Oman to Kenya to the western littoral of the Indian Ocean.

In an interview here Friday, Mohammed Y. Abshir, spokesman for the insurgent Somali Democratic Salvation Front, said the access agreement would be reviewed if the campaign to oust Mr. Siad Barre succeeded.

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Mr. Siad Barre then turned to the United States for support. But Western diplomatic sources say that that backing was made conditional on his eschewing further adventures in the Ogaden. Since then, the hostile neighbors have pursued a proxy war, Western diplomats and other analysts say, by using surrogate groups to continue hostilities.

Mr. Abshir disputed that interpretation, insisting that the Somali Democratic Salvation Front was an indigenous opposition movement, without outsiders in its ranks.

WORLD BRIEFS

Seamen on British Ferries to Strike

LONDON — A strike by 4,000 seamen on Britain's state-owned Sealink ferry services was due to go ahead Monday after the failure of talks over the weekend, the National Union of Seafarers said.

The walkout will affect the ferries at the busiest holiday time of the year, but ships operated by other countries and private companies will not be affected. The Sealink routes connect 10 British ports to France, Belgium, the Netherlands, Ireland, the Channel Islands and the Isle of Man.

The dispute is over a proposal by Sealink to save £1.3 million (\$2.26 million) a year on the route from Harwich, on the east coast, to the Hook of Holland.

Union members at Harwich, who said the economies would mean a 24-percent cut in wages, have already been on strike for three weeks.

Isolationism Worries U.S. General

WASHINGTON — The U.S. Army's European commander, Gen. Frederick Kroesen, said that Soviet weapons modernization in the past 20 years has allowed the Warsaw Pact to catch up with the Western alliance, but he said he is also concerned by the apparent revival of sentiment in the United States for withdrawing its forces.

He told the magazine U.S. News and World Report that U.S. troops in Europe still depend on reinforcement from the United States, "but I don't think that the enemy can be on the banks of the Rhine in three days or seven days or any of those magic numbers that some people were around."

He said the Soviet T-64 tank is formidable and in some ways more sophisticated than the U.S. M-60. He said the new U.S. M-1 tank, when fully supplied, will be superior to any Soviet tank in the field, but not greatly so.

Abductions Reported in El Salvador

SAN SALVADOR — An American woman and her father, one of El Salvador's most important industrialists, have been kidnapped from their luxury homes in the capital, relatives said Sunday.

Patricia Cuellar, who disappeared Tuesday, was kidnapped by assailants who broke into her home in San Salvador's Roma neighborhood, according to her aunt, Consuelo. Mrs. Cuellar said a servant was also missing. A U.S. Embassy spokesman said it was searching for Miss Cuellar, 24, who had lived in El Salvador most of her life. The aunt said Miss Cuellar's father, Mauricio, a Salvadoran citizen, was kidnapped Wednesday from his home in the Escalón neighborhood. The family members said they had not been contacted by the kidnappers.

In his sermon Sunday, Arturo Rivera y Damas, the acting archbishop of El Salvador, said Bernardo Dewscher, a Belgian architect, was also kidnapped Saturday in the town of Santiago Texacuangos, six miles (10 kilometers) southeast of the capital. Mr. Dewscher had been working as a volunteer on construction of a hospital, he said.

Zimbabwe May Shift Abduction Hunt

HARARE, Zimbabwe — Government troops and police continued their search of bushland Sunday for six Americans, British and Australian tourists taken hostage nine days earlier by an armed gang, military sources said.

Police sources said that if the hostages were not found by Monday, security forces would have to rethink their strategy. More than 2,000 troops have been searching the bush near the southern city of Bulawayo for signs of the kidnappers and hostages.

The hostages have been identified as Brett Baldwin and Kevin Ellis, both 23, from Seattle; Britton James Greenwell, 18, a student from Liverpool; and Martyn Hodges, 35, a civil engineer from Peterborough; and Australians Tony Bajzel, 25, from Tasmania, and William Butler, 31, from Newcastle. The gunman had threatened to kill them by last Friday unless the government released detainees loyal to Joshua Nkomo, who was dropped as a Cabinet minister.

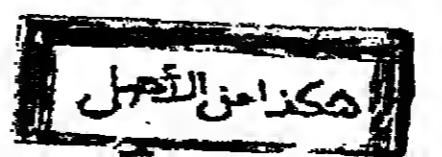
Iranian Officials to Visit Gulf States

BEIRUT — An Iranian government delegation will visit Kuwait and other Gulf states shortly, a Kuwaiti spokesman said Sunday, and Iraq claims of a major victory on the Euphrates front.

Official sources in Kuwait said the visit would be the first by an Iranian government delegation since the Gulf war erupted in September of 1980.

Iraq said Iran lost more than 6,000 troops in its fifth offensive that took place over the weekend.

In Baghdad, a body-trapped car exploded outside the Planning Ministry Sunday, killing and wounding an undetermined number of military personnel, the Iraqi News Agency reported.



Amid Hard Times, a Fantasy Showplace Packs Them In

By Gregory Jaynes
New York Times Service

ORLANDO, Fla. — In the summer of America's hardest times in four decades, the press of humanity within the gates of the Magic Kingdom is nearly crushing enough to bring on fermentation.

Lines, lines, lines — packed, long and poky — are all over Walt Disney World. The Sixties Chapel is more easily attained this summer than the Country Bear Jamboree.

Escapism appears to be the cause. In the Depression, the movies caught fire. People somehow managed to scrape up the coins to buy themselves a couple of hours in another world. In this recession, the people have somehow got hold of a fistful of \$20 bills, and millions of them are availing themselves of Walt Disney's world, in which when you wish upon a star it makes no difference who you are.

Fantasy still fills the house, to

At Florida's Disney World, Recession Takes a Holiday

the tune of \$300 million a year. There were 13.1 million visitors last year. And though the management estimates that attendance is now off by 5 percent, one can only wonder where, if the 5 percent returned today, they would fit in.

"Maybe the recession is all up here," said Jim Ryan, pointing at his temple. Mr. Ryan, a schoolteacher from Stroudsburg, Pa., was camping here last week.

"I mean, I've seen people with five, six, seven kids laying out \$150 for tickets. And these are not \$150 people."

Parent vs. Child

Some other impressions on the great passing parade here this summer:

Parents seem to think that children should feel as grateful for tickets to Disney World as sweethearts would feel if you could buy them the first of May.

Children do not always feel that way. They get hot and bothered, pitch tantrums, and snarl foot traffic. That sort of behavior tends to make a parent, if only for a second, long for the empty hotel. Instead, empty threats are hollowed.

"I'll slap the fire out of you!" "Your daddy will skin you alive!"

"Henry David, kill your son!"

Wadding down Main Street, U.S.A., ice cream in the left paw and a toddler dangling from the right, we are not a pretty sight.

Fully half of the nation appears to be fat, and some of us resemble the people on television who portray us.

Like the man who follows the elephant with a shovel, Goofy is hanging on to his job because it is, after all, show business. Last fall, the fellow who plays Goofy, along with those who play Donald

and Duck, Pluto and some of the other beloved characters, expressed unhappiness with Disney management policies.

It was a co-win situation. The jobs were intended to be filled by kids, who would work for a time for a hair above minimum wage and then go on to college and real careers. But Goofy and his colleagues were smitten by the roles, and they want to go on into middle age being Captain Hook and whatnot.

"I've been talking to a representative of the 'Teamsters,'" Goofy said the other day. "We're organizing man. This is the big time. How do you think Disney is going to like it when you've got pickets out on Interstate 4 saying 'Mickey Mouse Wants to Unionize'?"

Goofy said a preponderant number of the characters want a union, but he added that "we've got a couple of weasels," and theo he said something pejorative about Winnie the Pooh.

U.S. Says Bomb Warheads Failed In Exocet, Half of Argentine Hits

By George C. Wilson
Washington Post Service

WASHINGTON — Fewer than half the Argentine bombs that hit ships off the Falkland Islands exploded, a Pentagon official has revealed in a background briefing on the basis of top-secret reports.

At least six British ships were reported to have unexploded Argentine bombs lodged deep inside them, he disclosed.

In addition, he confirmed that the French Exocet missile that sank the destroyer Sheffield carried a warhead that failed to detonate. The Sheffield was sunk by explosions touched off by the missile's burning fuel, he said.

A high-level British commander told the Pentagon that he would have recommended withdrawing the fleet from the Falklands rather than accept the losses projected if all the Argentine bombs that actually hit their target had exploded, the official said.

Rigged for Land

Most of the bombs used against the British fleet were bought from the United States about 13 years ago, an Argentine officer said Friday, and the most likely reason for the failures was that the bombs were rigged to destroy land targets.

The Pentagon official revealed that up to 70 percent of more modern Navy bombs have failed to explode in some situations, and Navy sources said the failure rate has indeed been as high as 70 percent in recent ocean exercises with bombs detonated by electrical signals.

Resignations Promised

Ernesto Pérez Valladares, secretary of the ruling Democratic Revolutionary Party, indicated Saturday that all ranking government officials would heed Gen. Paredes' demand by Monday.

Gen. Paredes said Friday that some of the officials would be reappointed and others replaced.

"Royo's resignation was expected because four years is a long time for a government to suffer a wear-and-tear process," Mr. Pérez Valladares said.

Mr. Espriella retained Susana de Torrijos as education minister Saturday after she helped him settle a 31-day teachers' strike. Mrs. Torrijos was a sister-in-law of the late Gen. Torrijos.

The six opposition parties — which span the political spectrum from Communist to center-right — endorsed a pledge by Gen. Paredes to replace Mr. Royo's controller and attorney general, whom they accused of tolerating corruption.

They also welcomed his promise to name a commission of lawyers to reform the 1972 constitution, which they said would have favored the Democratic Revolutionary Party in the 1984 election.

There has been growing discontent in Panama over inflation, recession and alleged U.S. violations of the Panama Canal treaties that were engineered by Gen. Torrijos and President Jimmy Carter.

Mr. Spadolini said the most significant of the moves approved Saturday by the Cabinet was a 100-lire increase in gasoline prices, taking super grade to 1,120 lire a liter (about \$3.10 a gallon) — now among the world's most expensive after a total 160-lire rise since the beginning of the year.

The measures contained broad outlines for next year's budget and emergency provisions aimed at cutting spending and increasing revenues to limit the 1982 deficit, which is expected to exceed 50 trillion lire (about \$36 billion).

Mr. Spadolini said that he would present the lower house this week with two decrees, one intended to cut spending and increase incomes in social security and the other postponing changes in the status of nominal salary deductions.

Before the Cabinet meeting, Industry Minister Giovanni Marconi said the government will also propose raising all value-added taxes, with the lowest rate going from 15 percent to 18 percent to bring in an extra 3 trillion lire a year.

Associated Press

PANAMA CITY — Senior government officials have agreed to resign in accordance with orders from the powerful National Guard following the resignation of President Aníbal Rojo.

Opposition leaders welcomed the shakeup, which was announced Saturday, but denounced the National Guard commander, Gen. Rubén Dávila Paredes, for closing Panama's eight newspapers for a week.

The reality is that the National Guard has deposed the president and imposed a program on his successor," said a statement signed by six opposition parties. Mr. Rojo, 42, resigned Friday, two years before his term was to expire, citing a threat of a coup.

The National Guard is Panama's only military force and is a major power in domestic affairs. Gen. Paredes has asked for the resignations of all high-ranking officials in Mr. Rojo's administration.

Anstirity Moves Approved in Italy; Gasoline Price Up

ROME — Italy's fragile five-party coalition has approved without dissent austerity measures described by Premier Giovanni Spadolini as "most severe" and aimed at checking the runaway government budget deficit.

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Reagan, in New Approach, Offers Little Hope for Brezhnev Summit

By Murray Marder
Washington Post Service

WASHINGTON — President Reagan last week virtually swept off the diplomatic checkered board 18 months of maneuvering over a summit meeting with Soviet President Leonid I. Brezhnev.

At his press conference Wednesday, the president questioned the likelihood of a summit meeting with Mr. Brezhnev more seriously than he has done since he took office, saying "I don't know whether it's going to be this year or next at all."

That downgrading of a summit conference barely registered on the American scene, but it has significant implications in politics as well as in diplomacy.

All U.S. presidents have been eager to deal with their superpower adversaries at first hand, and their advisers traditionally have been fearful that summit meetings will produce unwarranted euphoria or create a crisis.

Only a few months ago, administration political advisers were signaling that those risks were worth taking for the domestic political benefits that could flow from a Reagan-Brezhnev summit before the Nov. 2 elections. The president's latest remarks indicate the opposite, that little political weight is being given to the need to reduce American-Soviet tension.

Mr. Reagan's comments also show that his administration no longer feels obliged to bold out the prospect of an early summit with Mr. Brezhnev for the sake of unity with Western Europe.

Before Mr. Reagan's trip to Europe in June, he and his advisers strongly encouraged expectations about a summit. On May 9 in a major commitment to "dialogue" with the Soviet Union, the president said that if it proved impossible to meet with President Brezhnev in New York next month,

Meanwhile, The Sunday Observer reported that a Royal Navy ship in the South Atlantic warned two weeks before the April 2 invasion that the Argentine takeover was imminent, but that the warning was never received by Foreign Secretary Lord Carrington. Government sources told the Observer the warning many have been blocked by the Ministry of Defense, which regarded it as embarrassing.

Under the plan to relocate the capital, the permanent British military garrison, which will number 3,000 or more, would take over Stanley.

Also said that after-action reports indicate a British sub sunken the Argentine cruiser General Belgrano with 50-year-old torpedoes rather than the highly touted and modern Tigerfish that were credited in many accounts.

Stanley Abandonment Sought

LONDON (UPI) — Residents of the Falkland Islands may move their capital 25 miles from Stanley to Port Louis because it will take years to clear thousands of land mines left from the war, the Sunday Times reported here.

"The people are terrified by this problem of mines. Life here has been ruined totally by them," said

It's clearly a demolition," said one Eastern European source, adding that the transfer was puzzling because Mr. Katushev, 54, is believed to be a protégé of President Leonid I. Brezhnev.

Munir Ahmed, chairman of Pakistan's atomic energy commission, said Saturday that Pakistan would soon invite bids from foreign firms willing to help set up the \$1.5-billion plant at Chashma in the Punjab province, about 370 miles (600 kilometers) southwest of Islamabad.

France was to supply an 800-megawatt reactor in 1976 but withdrew from the project because of U.S. pressure. Gen. Zia said Pakistan was not developing a nuclear bomb, either for itself or its Islamic allies. He said Pakistan's nuclear program is peaceful and devoted only to meeting energy needs. "Nuclear power is a double-edged sword and we know which side cuts and which side bleeds," Gen. Zia said.

The unnamed group made its claim in a telephone call to a news agency. The bomb smashed the windows of the office of the pro-Western, Jeddah-based Ashraq al-Awsat.

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France was

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

Grain and Pipeline

It's Very Clear

From THE NEW YORK TIMES:

How can you justify selling the Russians grain when you object so violently to the allies buying their pipeline gas?

How can you fail to see the difference? We take their money; Europe pays them money.

That is very clever, but off the point. We are looking after the income of our farmers and the Europeans are looking after the income of their workers. Why is our publics bolier than theirs?

Politics has no place in global strategy. Our farmers are clamoring for multi-year contracts but we are approving these sales only one year at a time. But if we could deny the Russians grain, we would. But if we don't sell it to them, others will. When Jimmy Carter tried, it didn't hurt the Soviet Union but it was a terrible blow to the farmers of the United States.

Go over that one again, slowly.

Wheat is wheat, corn is corn. What the Russians can't get from us, they can always get from Canada, Argentina, Australia.

And the world market would buy American grain to fill the gaps?

Yes. So how does that hurt American farmers? Well, we can command a better price when we sell large amounts directly.

But if we held some grain off the market, couldn't we drive up the world price and make it expensive for them to buy elsewhere?

Then American consumers would also pay more for grain, and our government would have to buy the surplus. That could get expensive.

So it's not that we couldn't hurt the Russians, but that we don't want to pay the price? Isn't that Europe's logic, too, when it insists on going through with the pipeline?

You're still ignoring grand strategy. The Russians are practically broke. If we took their hard currency and Europe didn't give them any, sooner or later they wouldn't be able to afford more weapons and military adventures.

But you have said you would relent on the pipeline when Poland ends martial law.

Yes, but then it would cost the Kremlin o lot more in subsidies to make the people in Poland work productively.

When it comes to security, hasn't Moscow spent whatever it costs, for 60 years? And if the purpose is to make them shift spending from guns to bread, how does it help to sell them bread? It would cost them 10 times as much to build a decent agriculture.

You can't look at it so narrowly. Bread is not the rope that Lenin said we would sell him to hang us with. But on this pipeline, they played one banker against another to get it built practically for nothing.

You could have stopped that by declaring Poland to be bankrupt and by drying up Communist credit.

Well, we thought of that, but it would have really hurt our banks and maybe disrupted the whole banking system. Without stable banking, how would they pay for our grain?

And walk right into our trap?

Now you've got it.

Other Editorial Opinion

Wanted: A U.S. Initiative

When Israel invaded on June 6, it was called upon by a unanimous Security Council resolution (endorsed by the United States) to withdraw unconditionally. Yet the main diplomatic effort of the past few weeks by the United States has been concentrated not on securing Israel's withdrawal but on obtaining the departure from the Lebanon of the Palestinian guerrillas now besieged in Beirut, thus fulfilling one of Mr. Begin's main war aims.

Meanwhile, most evenings on television the world has been able to watch scenes of indiscriminate slaughter. It was as if each night in Beirut a hundred or so people — men, women and children — were chosen to be sentenced, innocent and without trial, to a most horrible death: to be blown limb from limb by bombs and shells, torn to shreds by the infamous cluster weapons, or crushed under tons of rubble from their own homes.

Yet even the carnage of Beirut might eventually be seen as worthwhile if it led not only to a reconstruction of the Lebanese state but also to a real peace settlement between Israel and the Palestinians. But Mr. Begin is clearly determined to follow a policy which makes a settlement with the Palestinians impossible.

The United States has an opportunity to bridge the remaining gap over recognition and talks with the PLO by endorsing the new draft resolution tabled in the Security Council by France and Egypt. President Reagan should seize this chance. Otherwise a conclusion

A Better Way

From THE WASHINGTON POST:

President Reagan has decided to extend grain sales to the Soviet Union for a year. He has a whole series of reasons why it is right and just for Americans to sell grain while it is deplorable for Europeans to sell technology and equipment for a Soviet natural gas pipeline to Western Europe.

These reasons are not entirely frivolous. But, having studied them with some diligence, we can report that they are most apt to be persuasive to people who are, at the moment of hearing, standing in a cornfield. If you happen to be standing instead in, say, a compressor plant in West Germany, they are not likely to be persuasive at all.

It is no surprise that Mr. Reagan is keeping American farmers in the Soviet branch of the grain trade. He lifted the embargo his predecessor had imposed after the Soviet invasion of Afghanistan and gave not the slightest thought to reimposing it when the Polish crackdown followed last December. In respect to the grain trade, he accepts no real political linkage. Although in making now a single-year grain agreement he pretends to be denying the Kremlin the comforts of a multi-year agreement, the farmer pressure to which he has bent all along ensures that grain exports will be perennial.

But he does demand political linkage — to Poland — in the Europeans' pipeline business. That the Europeans object on a host of political, economic and legal grounds, leaves him cold. All the toughness that one would expect him to direct at the Soviets or at the authorities in Poland is being brought to bear on America's closest allies.

Our own view has been that sanctions entail a range of political conditions and economic links that do not lend themselves easily to sustained alliance-wide application. In principle, it looks attractive to deny the adversary something of value. But first of all it matters greatly who the target is — the huge, disciplined Soviet society, for instance, or the relatively small and perhaps more vulnerable Polish regime? Then there is the question of paying the specific price. Who will pay? How? For how long? To what end?

These questions would be difficult enough if general economic conditions were excellent and the alliance was humming along smoothly on its other cylinders. In conditions of recession and disarray, they push the system to its limit. That is why we hope the administration will figure out in the coming months how to assert its leadership in ways that ease the alliance back onto a cooperative track.

It may be difficult under presently conceivable conditions to make the Soviet Union bend in specified ways to Western sanctions. But surely it cannot be politically irrelevant that Moscow has a large and continuing need for Western technology and capital. To leave this broad and vital commerce to the workings of the market seems a strange abdication of the collective responsibility.

That alliance agreement on an economic strategy may be slow and incomplete in coming is no reason to back away from the question. George Shultz would seem exactly the right man to frame the terms of such a common inquiry, as soon as the emotions now flaring over the pipeline can be subdued.

Soviet Woes, Viewed From Moscow

By Anthony Lewis

MOSCOW — Industrial growth slowing, agriculture in a mess, increasing reliance on imports — these would be danger signals for any economy. In the Soviet Union the signals of economic trouble are strong and persistent that they raise the question of political consequences.

That there are serious economic strains is not in doubt. The 4-percent annual growth rate of the 1970s has fallen to perhaps half that.

Food is an acute problem. Three disastrous grain harvests in a row have forced huge purchases abroad. A confidential report for Soviet leaders, about which Western reporters learned in May, said food imports cost \$700 million in 1970 and 10 times that, \$7.2 billion, in 1980. The report said a fifth of the grain crop and a third of the potatoes were lost because of bad harvesting and distribution and storage.

The Reagan administration, reading the signs, argues that Moscow is vulnerable now to economic pressure. Hence the U.S. policy of sanctions against the Siberian pipeline, designed to force a change of Soviet policy in Poland.

The economic argument figures also in some analyses of the prospects for arms control agreements; it is said that pressure on Soviet policymakers to invest more in food and consumer goods and less in weapons will move them

toward agreements. President Reagan has gone further, suggesting that economic failure and growing demands for political freedom will lead to collapse of the whole Soviet system.

How does the question of economic trouble and political consequences look in Moscow? It depends, naturally, on whose view it is. Here is a sampling of the viewpoints of Soviet officials, of Western diplomats and of a dissenter inside the wall, Roy A. Medvedev.

• Soviet officials are relatively open in conceding that the country has food problems. But they scoff at the notion that any popular revolt or basic change in the system will result.

Everyone here over 30 knows about real hunger — and knows that we are absolutely safe from that now," said Georgi Arbatsov, director of the Soviet Institute for United States and Canadian Studies and a member of the Communist Party Central Committee. "With all the difficulties of weather and so on, we grow much more grain than we need to feed our people; the problem is mainly feeding livestock."

Aleksandr Bovin, a former aide to President Brezhnev and now a leading commentator on

television and in Izvestia, gave what he called a personal view on the food problem.

"We don't need dramatic initiatives," he said. "You have to remember that private property has existed since the beginning of mankind, 6,000 years ago, and over all those years it developed effective mechanisms [for agriculture]. We broke all that in our revolution, but we have had only 60 years to develop new mechanisms. We'll try to find the best solution within the framework of collective property. Sometimes it's hard to introduce the collective principle. There is prejudice."

• Western diplomats said the food situation was bad outside Moscow, with rationing in some parts of Siberia. But none saw a possibility of serious protest. "Food shortages are not new," one said. "And this is a very stable society."

Similarly, diplomats doubted that economic pressure would affect basic political positions, such as that on arms control. They said it was an essential political understanding from the time Brezhnev took over the leadership that the military would have a steady increasing budget, and that premise was not likely to change at a time of seeming transition to a new leader.

On the other hand, the diplomats did not foresee any solution to the economic troubles. A special Central Committee meeting in May on agriculture, they said, had produced nothing but inconsistent bureaucratic juggling.

• Roy Medvedev is a unique figure today. At a time when all other well-known dissidents have been jailed, he has gone abroad or, in the case of Andrei Sakharov, has been sent into internal exile, he works on in a tiny apartment, a fifth-floor walk-up on the outskirts of Moscow. He is a historian who calls himself a Marxist.

"In agriculture," Medvedev said, "the problem is that it is in no one's interest at any level to work well; if you over-fulfill your plan, it's just taken away from you without compensation. Outside agriculture, no enterprise is ever declared bankrupt. They just roll on. There is no solution except to bring in elements of the market. People have to have some reason to work."

But what Soviet leader would have the ability or the political will to do that? he was asked. After all, any fundamental reform would challenge the position of the elite.

"It's hard to envisage it coming soon," Medvedev said, "because the post-Brezhnev political figures are of a similar generation.

"But sooner or later, after further decay, there will be no alternative: not a revolution — no one wants that — but real change.

"By the late 1980s people will come to power — those now 45 to 50 — who will understand much more. They will improve administration. But the real changes will come in the 21st century, from those now 25 to 30."

The New York Times.

Helsinki Has Been

Worth It

By William Korey

The writer directs international policy at B'not B'rith International. NEW YORK — When the Helsinki Final Act was signed seven years ago today by 35 states of Europe and North America, it was hailed by the Kremlin as the greatest historical event since the defeat of Hitler's armies, and as "a law of international life." Endless pacans poured from Soviet media.

The anniversary is certain to be a pale reflection of 1975. The occasion will dutifully be marked, but enthusiasm will have profoundly waned. Analysis of the radical transformation will warrant the early attention of Secretary of State George P. Shultz because one of his critical decisions in the fall must focus on whether and how the United States should return to the Madrid review meeting of the 35-member Conference on Security and Cooperation in Europe, which is scheduled to resume on Nov. 9.

Until 1980 the Kremlin made the Helsinki process one of its major foreign policy slogans, proclaimed every year on the anniversary of the Bolshevik Revolution. Since then it has not been listed among the party slogans. Only intermittently do leading Soviet officials refer to Helsinki, and then usually in a defensive manner. The major work last year of Konstantin Chernenko, the principal associate of President Leonid Brezhnev, was devoted to an ardent though shallow defense of Soviet human rights. It mentioned Helsinki but once, and then inconsequently.

The downplaying hardly comes as a surprise. At the Madrid review conference, the egregious Soviet abridgements of the Helsinki human rights provisions have been trumpeted to the world. Nearly 90 cases were thoroughly documented by the West, highlighting the crackdown on Jewish emigration and the repression of the voluntary Helsinki Watch committee. Madrid became an embarrassment to the Soviet Union.

Still, the Kremlin eschews any indication of withdrawal from Helsinki. On the contrary, Pravda declared on Feb. 4 that Moscow attached "great importance" to the Madrid review. Five days later, Leonid Ilyichev, the chief Soviet delegate, told the review session that the Soviet Union was "interested in a consistent continuation" of the Helsinki process.

Two key considerations guide this decision. First is Brezhnev's personal involvement. His name has been repeatedly linked by the Soviet Union with the Helsinki Final Act. On his 75th birthday last December, Pravda noted that he originated the idea of Helsinki "back in the mid-1960s." The Final Act was said to have constituted a "brilliant success."

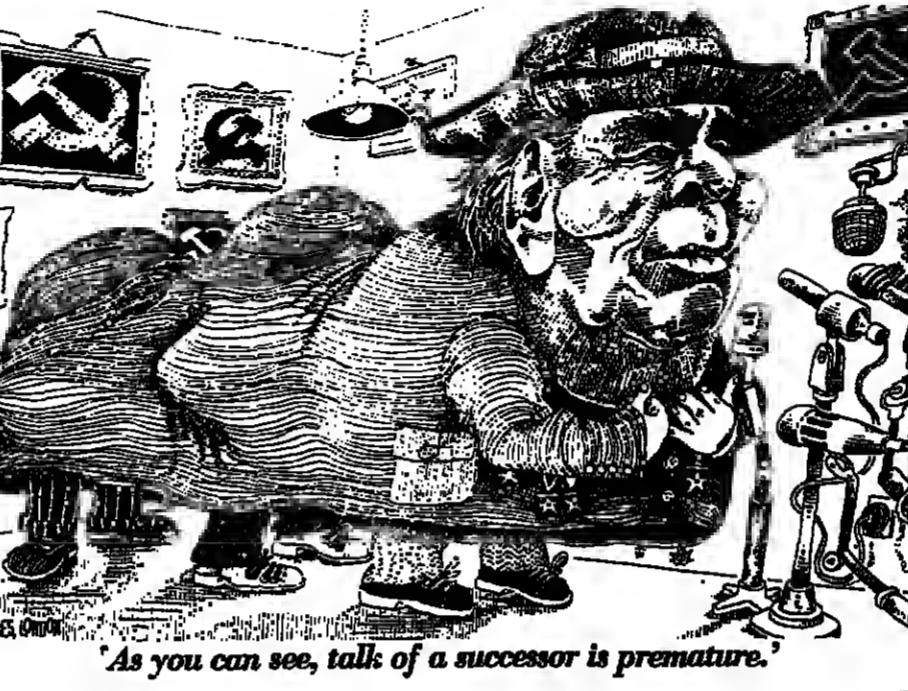
Second and equally important are hard policy interests. Central to Soviet diplomacy is the weakening and ultimately the severing of the American alliance with Western Europe. Helsinki is seen in Moscow as a vital forum for exploiting differences between Washington and its NATO allies. Emphasis is placed on the benefits for Western Europe of trade with the Soviet Union and on disarray. A Soviet media official this year declared that it was becoming "more and more clear" to the Europeans that the American posture at Madrid did "not accord with the true realities" on the Continent.

While Moscow faces a dilemma in reacting to Madrid, there are those in the United States who have urged withdrawal from the Helsinki process on grounds that the Final Act merely ratifies Soviet domination of Eastern Europe. The brutal suppression in Poland of Solidarity and of human rights since last Dec. 13 has reinforced this view. Many prominent voices have called for an American boycott of Madrid.

But American participation enabled Madrid to be a powerful vehicle for placing the conduct of the Polish military government and its Soviet supporters in the glare of international public exposure. The Polish deputy foreign minister may have declared that "we shall not take part in conferences in which Poland would be made to stand in the dock," but he had no practical alternative.

With human rights progress in Poland still negligible, pressure on Shultz to abandon Madrid is certain to intensify. Yet abandonment would play into the hands of the Kremlin's diplomatic strategy. At the same time, it would mean the rejection of the most significant international forum for airing gross human rights violations in Eastern Europe.

The New York Times.



Deal Moscow Back In on the Middle East?

By Malcolm Toon

From 1969 to 1979 the writer was successively U.S. ambassador to Czechoslovakia, Yugoslavia, Israel and the Soviet Union.

WASHINGTON — America has taken a certain amount of pleasure in the last decade in seeing the Soviet Union edged farther and farther into the fringes of the action in the Middle East. Rarely has that exclusion seemed as obvious as in the weeks since the Israeli invasion of Lebanon, when the Soviet profile in Middle Eastern politics has become virtually invisible.

No doubt there have been benefits from the minimization of the Soviet role. But exclusion of the Soviets has had its price — one that the United States probably cannot afford to pay much longer. Since Camp David, the monkey has been on America's back. Friends and adversaries have held it responsible for the lack of progress on the Palestinian problem, and its reputation is among the casualties when the peace and stability of the area are undermined by terrorism and by what is seen by many as an excessive Israeli reaction.

So this may be the time to share the burden and involve others in the process — particularly the Soviets.

There now seems only slight room for maneuvering on arms control, given the uncompromising positions taken by both sides, and there is certainly little prospect of reaching understandings on regional political issues. This applies with particular force to the Middle East, an area where it is most difficult to agree on a formula to alleviate tension and the attendant risk of confrontation.

The Soviet role in the Middle East has long been unhealthful, even destructive to the chances of a fair and lasting settlement. So it was no surprise that the Soviet reaction to the Camp David accords and the Egyptian-Israeli peace treaty was pessimistic and obstructive. Moscow branded the accords as "a conspiracy against the Arab people" and Anwar Sadat's historic visit to Jerusalem as treason. This remains its line today.

What lies behind this harsh Soviet reaction? I am convinced that the answer is linked to the growing distance between the Soviet Union and Iran create real problems for the Soviets. And the crushing defeat of the PLO and of Syrian forces in Lebanon by the Israeli has been embarrassing because it again showed Moscow's unwillingness to risk a confrontation with the United States.

One official was made of the statement; it's just another case of the president verbally shooting himself in the foot.

But what if Jimmy Carter had said the same thing while he was in office?

One can only guess. Would the comment have seemed even more frightening coming from a president who was not thought to have the right cards to represent his country in a serious international forum?

— The Hartford (Connecticut) Courant.

in curbing excessive Israeli actions — for example, the attack on the Baghdad reactor, the annexation of the Golan Heights, the breach of faith on settlement policy in the West Bank and, finally, the excesses of Israeli behavior in Lebanon — has evoked sharp criticism that is unwarranted but also understandable.

Meanwhile, the Camp David process is dead at least moribund, and it seems unlikely that it can be re-started.

Let Los Angeles Times.



LETTERS TO THE EDITOR

A Cold Warrior?

Regarding "An Official U.S. View on Moves to Stop the Pipeline" (IHT, July 24): Ambassador Galbraith deserves credit for his candor. His contention that the Soviet economy is in peril and should accelerate the slide by interfering with the Siberian gas pipeline is as unadulterated an example of Cold War zealotry as I have read.

If the ambassador was indeed speaking for the Reagan administration, it might fairly be asked which of the

Gandhi Believes Trip To U.S. Has Relieved 10 Years of Tensions

By James Reston
New York Times Service

WASHINGTON — Prime Minister Indira Gandhi of India flew to New York on Saturday feeling that her journey to the United States had helped to ease the misunderstandings of a lost decade in relations between the two countries.

In an interview, Mrs. Gandhi suggested, though not in an accusative way, that perhaps the arrangement between Washington and New Delhi since her last official visit here 11 years ago had been the fault of the United States. "I did not get on with Mr. Nixon, as you know," she said. "I think that apart from any foreign policy issue, it was a personality clash. But I do think it was a very courageous move for him to make friends with China and even with the Soviet Union. I admire him for that."

"But somehow he felt that his friendship with China meant that he could not be friends with India, that Pakistan was the bridge between the United States and China. And it was to show any kind of softness toward India this

would jeopardize this very big foreign policy move."

Ranging philosophically over India and world affairs, Mrs. Gandhi made the following observations:

"On nationalism in India, she said: "We are trying to promote nationalism because we think it is essential for unity. But we do not see it coming in the way of internationalism. It is like you have to have a loyalty to your family or to your colleagues, to your town or to your city, but what we have always propagated is that each one is subject to the larger image. I think that larger image is a growing one, that it is now no longer just India."

"Mrs. Gandhi said she thought a reconciliation between China and the Soviet Union would develop. Reflecting on the historic reconciliations in the West between Britain and France and the Germans, and between the United States and Japan, she said she was not prepared to predict, despite some progress, that similar reconciliations would take place in Asia.

"On the possibility of reconciliation with Pakistan, "We are doing everything possible to have such a reconciliation. We have a genuine desire. But my only — I don't know if 'suspicion' is the right word — is that [Pakistan] is a bit wary of this. Not because they don't want friendship, but because they are worried about Indian influence. Not influence which the government of India will exert. But there is no doubt that greater friendship with India will encourage the forces that are democratic. This is our problem not only with Pakistan, but with all our neighbors."

At the formal launching Saturday of the organization, which Mr. Suárez has named the Democratic and Social Center, a manifesto was distributed saying that: "Spain, there are people who want to use economic structures and institutional powers to control civilian power and reduce the free exercise of national sovereignty which can only lie legitimately with the people."

The thing which they say they did not say but I think must be on their minds is the growth of American influence there; and you must remember that this started when Iran was still very much with the United States, so that they felt that here was a belt that was all around them and encircling them."

After the Iran so-called revolution, they were worried about Moslem fundamentalism, because that will hit at the root of their system in their Asian republics. And if those people take up such ideas, it would weaken their base. And

Mr. Suárez, who resigned as prime minister in January, 1981, just before an attempted military coup, said that his new reformist party would run in the next general election, and act to defend democracy.

On Wednesday, Mr. Suárez resigned from the governing Union of the Democratic Center, which he founded in 1977, to lead Spain from dictatorship to democracy. Early last month, he lost an attempt to regain party leadership.

The manifesto, alluded to in that struggle, saying it was better to quit than to continue internal squabbles. Anti-democratic forces would use these disputes as an excuse for intervention, the manifesto said. Mr. Suárez said that the Union of the Democratic Center was too diverse, with too many internal tendencies and lacked coherence.

31 Are Executed in China

PEKING — Thirty-one criminals have been executed after five separate trials in the northeastern Chinese province of Jilin, according to Jilin radio.

The police official said the cur-



United Press International
Prime Minister Indira Gandhi preparing to give a speech at a luncheon Friday at the National Press Club in Washington.

many European leaders agreed with me that if there could be such a nonaligned government, that would be a solution."

Mrs. Gandhi, 64, met Saturday in New York with Indian scientists, intellectuals and businessmen. Her Sunday schedule in New York included a visit to the Sikh temple in Richmond Hills, a meet-

ing with Mayor Edward Koch and a luncheon in her honor sponsored by the Asia Society and the Foreign Policy Association.

She will fly to Los Angeles on Monday afternoon and Honolulu on Tuesday. She will present an Indian elephant to the Honolulu Zoo before flying home to India on Wednesday.

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Envoy Say Namibia Plan Is Imminent

Western Group Reports Few Remaining Issues

Reuters

WINDHOEK, South-West Africa — Final agreement for independence for Namibia is possible within the next few weeks, diplomats from the five-nation Western contact group said Saturday.

Hans-Joachim Vergau, Africa director of the West German Foreign Ministry and spokesman for the group, said at a news conference that only certain arrangements must be made final before the UN-sponsored peace plan could be implemented.

"We have never been so far as we are now," he said after two days of talks with political leaders in South-West Africa (Namibia), which is ruled by South Africa.

Mr. Vergau headed a mission of representatives of the United States, Britain, France, West Germany and Canada.

The five nations have been trying to achieve a cease-fire in the 16-year bush war between South Africa and the South-West Africa People's Organization guerrillas and to arrange elections supervised by the United Nations, possibly in the first half of next year.

Impartiality Issue

Mr. Vergau said that among issues still to be resolved was the impartiality of the United Nations, which South Africa has accused of favoring SWAPO. A resolution on the issue probably will be introduced soon before the UN Security Council, he said.

The plan also came under fire from the right, Reuters added. The Conservative Party of South Africa, composed of former National Party members who broke with Mr. Botha in February over his reformist policy, said in a statement: "There is nothing new in the guidelines. They represent the road toward political power-sharing, against which we have been warning the country for months."

Jaap Marais, head of the extreme-right Herstigte Nasionale Party, said: "The proposals are a radical departure from the constitutional line of development in South Africa since 1910 and will lead to racial integration."

Not Far Enough

Observers speculated that, by assuring that the new members of Parliament would not meet in the same chamber with whites, Mr. Botha had hoped to avoid a confrontation with the Conservative Party, led by his former lieutenant, Andries P. Treurnicht.

But it appears that the prime

Botha's Party Backs Plan to Form Nonwhite Chambers of Parliament

By Allister Sparks
Washington Post Service

BLOEMFONTEIN, South Africa — Prime Minister Pieter W. Botha has won unanimous endorsement from a special federal congress of his ruling National Party here to end exclusive white rule by setting up separate Parliament chambers for Asian and mixed-race South Africans, but reaction to the proposal among nonwhites was cool.

The Rev. Alan Hendrikse, whose Colored Labor Party represents many of South Africa's 800,000 Asians and 2.5 million coloreds, as persons of mixed race are known, expressed reservations about the proposal to establish a triameral Parliament in which whites, Asians and coloreds would sit in separate chambers.

Mr. Botha needs at least the support of Mr. Hendrikse's party to confer legitimacy on his proposed new constitution. Mr. Hendrikse said Saturday after the plan was endorsed that "we are committed to supporting any movement in the direction we want to go, which is toward full racial integration," but that Mr. Botha's plan contained in the prime minister's guidelines for constitutional reform offered "few advances."

[Reuters] reported from Johannesburg that Amichand Rajbansi, leader of the South African Indian Council, said that "the guidelines do not satisfy the political guidelines of his group. And Frederick van Zyl Slabbert, leader of the opposition Progressive Federal Party, said the fatal flaw in the plan was its exclusion of 70 percent of South Africa's population: the blacks.

The plan also came under fire from the right, Reuters added. The Conservative Party of South Africa, composed of former National Party members who broke with Mr. Botha in February over his reformist policy, said in a statement: "There is nothing new in the guidelines. They represent the road toward political power-sharing, against which we have been warning the country for months."

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United Press International
Prime Minister Pieter W. Botha at the National Party congress.

minister's cautious proposal may anger his Afrikaner supporters in whose eyes it breaches the nation's apartheid policy — while not going far enough to win the support of the colored and Asian political leaders whose participation is vital to the plan's success.

The complicated formula was endorsed at the National Party's first national congress in 20 years

Vietnam Rules Out Cambodia Pullout Unless China Agrees Not to Intervene

Los Angeles Times Service

BANGKOK — Vietnam's foreign minister, Nguyen Co Thach, has declared that his country will never withdraw all its soldiers from Cambodia until China guarantees in writing that it will not threaten the stability of Indochina.

Hanoi contends that ASEAN-backed guerrillas, most notably the Khmer Rouge, which used to control the Cambodian government, are Chinese puppets and would endanger the security of Vietnam if they returned to power.

11th IRA Bombing Death

London — A British soldier wounded in an Irish Republican Army bombing in Regent's Park on July 20 died Sunday. Six others were killed in the attack and four were killed in a bombing the same day in Hyde Park.

Suárez Declares Civilian Power in Spain Is in Danger

Reuters

MADRID — Former Premier Adolfo Suárez has launched his new centrist party, with a manifesto to say that civilian power in Spain was threatened.

At the formal launching Saturday of the organization, which Mr. Suárez has named the Democratic and Social Center, a manifesto was distributed saying that: "Spain, there are people who want to use economic structures and institutional powers to control civilian power and reduce the free exercise of national sovereignty which can only lie legitimately with the people."

The thing which they say they did not say but I think must be on their minds is the growth of American influence there; and you must remember that this started when Iran was still very much with the United States, so that they felt that here was a belt that was all around them and encircling them."

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Sri Lankan City Is Tense After Sectarian Strife

Reuters

COLOMBO, Sri Lanka — The strife-torn southern city of Galle was under control Sunday after five days of Sinhalese-Moslem clashes, but tension was still high, a senior police official said.

The police official said the city, 55 miles (88 kilometers) southeast of Colombo, passed a night free of incidents. For the second night, armed security forces patrolled during the dusk-to-dawn curfew that was imposed under the national emergency declared Friday.

The emergency was ordered as part of an effort to keep clashes between Sinhalese and Moslems from spreading to the northern region, home of the majority of Sri Lanka's Tamils.

2 Persons Killed

In Galle, two persons were killed and more than 100 wounded in five days of violence, authorities reported. More than 1,000 armed security personnel have been posted in the city and the police have reported arresting nearly 100 people.

The police official said the cur-

few would be enforced again Sunday night.

It was the third time the government of President Junius Jayewardene had declared a state of emergency since returning to power in 1977.

Parliament would decide within 18 days whether to extend the state of emergency, Mr. Jayewardene said Saturday night.

The government has imposed press censorship, but said there would be no ban on meetings held by recognized political parties.

The violence began after a quarrel between a Muslim landlord and his Sinhalese tenant. Mobs set fire to automobiles, broke into shops and homes and tried to halt buses and cars to attack passengers.

Last August, the government imposed a state of emergency to deal with violence that erupted between Sinhalese and Tamils.

The Sinhalese are the majority community in Sri Lanka, numbering more than 10 million. There are about 1.5 million Tamils. Moslems, most of Arab origin, number about 900,000.

Mr. Vergau said South Africa's

Relations Act

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The Taiwan Relations Act allows the United States to sell arms to Taiwan even though formal diplomatic relations were severed to permit the normalization of ties between Washington and Peking. Peking regards Taiwan as a rebel province.

Details of Settlement

Washington officials said that Mr. Reagan had reported plans for the joint communiqué in a meeting with about 25 senators and congressmen Friday.

Other Washington sources said the joint statement would not specifically cite a cutoff date in the U.S.-Taiwan arms relationship but would imply that there would be no long-term supplies.

As part of its effort to resolve the dispute, the Reagan adminis-

tration decided last week to temporarily hold back on the presentation to Congress of a new set of fight fighters to Taiwan.

Taiwan's contract for co-production of Northrop F-5Es runs out in July, 1983, but the company would like to be assured of renewal by September in order to avoid a break in the production line.

Members of Congress were informed, however, that the new contract will not be sent to Capitol Hill for the time being.

In another conciliatory move last week, the Reagan administration offered to agree that Taiwan continue to buy arms from the United States while secret talks between the two sides appeared to be approaching a crucial stage.

Although the article evidently was written weeks ago, its publication now may signal Chinese dismay at the outcome of these talks.

The People's Daily article said, however, that the Reagan administration "lacks the necessary strength for pursuing its policy goals."

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China Cancels Visit by Japanese in Book Furor

Reuters

PEKING — China withdrew its invitation Sunday to Education Minister Heiji Ogawa of Japan to visit Peking in September, in another display of anger over the revision of Japanese textbooks to play down Japan's occupation of China.

Li Tao, head of the foreign affairs bureau of the Chinese Education Ministry, said Peking "holds that, prior to solution to this issue, it is inappropriate to receive Minister Ogawa in China."

Tokyo had announced Thursday

that Mr. Ogawa had been invited to visit China despite Peking's blaming his department for the textbook revisions.

The amended books describe Japan's aggression against China in the 1930s as an "advance" and play down the "rape of Nanking" in which more than 200,000 Chinese were massacred.

Strong Dissatisfaction

The Chinese news agency said Mr. Li had told the Japanese Embassy that the changes aroused "strong dissatisfaction among the Chinese people and education circles."

The Japanese occupation of China from 1937 to 1945 is a highly charged issue in China. The official press has reflected the national resentment by describing atrocities such as the Nanking massacre and publishing photographs of executions.

China says that the revised textbooks violate the spirit of the 1972 agreement under which the two countries established links and in which Japan expressed regret for its actions.

Japanese officials have said Premier Zenko Suzuki is concerned that the friction could mar his visit to Peking in September to mark the 10th anniversary of Chinese-Japanese diplomatic relations.

Douglas Swain

Pollster Says 'Pool of Patience' on Economy Will Benefit Reagan and Republicans in Fall

By Hedrick Smith
New York Times Service

WASHINGTON — President Reagan has been told by his pollster that there is still a surprisingly large "pool of patience" among the electorate with his economic program that he can exploit on behalf of Republican candidates in the congressional elections this fall.

Richard Wirthlin, president of the survey research company DMI Inc., met Friday with the president to share his latest findings. He told reporters that 60 percent of those polled still think it will take another year or so for the Reagan program to work. That is only a modest decline since Mr. Reagan entered the White House, he said.

Mr. Wirthlin said his latest analysis suggests that the Republican will make a net gain in the 33 Senate races but will probably lose 15 to 20 seats in the critical battle for control of the House of Representatives.

He suggested that the basic themes of the campaign had been set in Democratic political advertisements attacking the Reagan economic program with the charge "It isn't fair. It's Republican" and in the Republican counterattack: "It doesn't work. It's Democratic."

"That's really going to be the frame of reference for the fall campaign," he said.

Presidential Strategy

Mr. Wirthlin, one of the president's top political advisers, said he thought Mr. Reagan would probably do less cross-country barnstorming than past presidents had done in off-year election campaigns. The president's role, he suggested, will be to "frame the issues," principally by appealing for more time for his program and for a Congress friendly to it.

The choice for Mr. Reagan to put to the country, he said, is: "Do people want to go back, or do they want a change that hasn't worked itself out yet?"

He conceded that Mr. Reagan's main "perceptual liability" is that

many voters consider his program unfair to poor people. He said he had found that, by a 15-percent margin, the public considers the Democrats better able to deal with the problems of the disadvantaged than the Republicans are.

But he said his latest poll, in which 1,500 people were questioned a month ago, showed that 54 percent still think that the Reagan economic program has helped the economy, compared with 46 percent who feel it has hurt.

Findings Different

He said he had found that 48 percent blamed Mr. Carter and the Democrats and 19 percent blamed the president and the Republicans. The rest blamed both parties or neither. Many politicians believe, based on other poll results, that if Mr. Carter is left out of the equation the Democrats fare much better.

A CBS News-New York Times poll in May found that 62 percent of the public felt that the economy had deteriorated in the past year and that one-third of those polled blamed Mr. Reagan and only one-tenth blamed Mr. Carter, the Democrats or Congress.

Mr. Wirthlin, amplifying on the recent comments of White House officials, said that his polls showed that Mr. Reagan's job-approval rating had risen about five points in the past three months to show 51 percent of the public approving of his job performance and 44 percent disapproving.

The most recent Gallup Poll showed 45 percent approving and 45 percent disapproving. Mr. Wirthlin attributed the discrepancy in the figures to the timing of the polls and the placement of the job-approval question in the questionnaire.



MUD BATH — Greg Mindeman of Apache, Okla., wrestled in the mud with a steer at the Cheyenne, Wyo., Frontier Days Rodeo, after three days of rain had drenched the grounds.

Major Faiths in N.Y. Area Join to Combat Cults

By Paul L. Montgomery
New York Times Service

NEW YORK — The major faiths in the New York area — Jews, Catholics and Protestants — have joined together for the first time to combat what they call "destructive cults" mentioned in particular the Unification Church of the Rev. Sun Myung Moon.

Representatives of the three faiths have met several times since June to find ways of countering the groups which they regard as harmful. They say the cults have been proliferating, numbering in the hundreds around New York and in the thousands nationwide; estimates of total membership range from 300,000 to 5 million.

The first joint statement by the religious leaders came after 2,075 couples were married by Mr. Moon in Madison Square Garden on July 1. The marriage partners had been chosen for each other a few weeks or days before by Mr. Moon.

The religious and community leaders felt that marrying such large numbers of people at one time negates the dignity and sanctity of the marriage.

They say the cults have been a highly personal and solemn rite," the statement said. It was endorsed by the Jewish Community Relations Council, supported by 32 major Jewish groups; the Roman Catholic Archdiocese of New York and the Diocese of Brooklyn; and the New York Council of Churches, which includes major Protestant and all Greek Orthodox churches.

Cults Called 'Deceptive'

"We felt that the growth of cults presents a clear and present danger to religions as we know them," said Seymour P. Lachman, the chairman of the Task Force on Missionaries and Cults of the Jewish Community Relations Council. "These cults are deceptive at least, and in many ways prostitute the other religion in the world today."

The Jewish Community Relations Council task force, established two years ago, was the first large-and-cult group with religious backing. According to a survey of 400 former cult members, published in the January issue of *Science Digest*, the religious backgrounds were 46 percent Protestant, 26 percent Catholic, 21 percent Jewish and 7 percent atheist.

or other Jews in the United States make up about 3 percent of the population.

In the past, the established religions have been reluctant to take on the cults, partly because attacks of what some call "new religions" might also be an attack on the pretenses of the old. Most major denominations have consistently opposed legislation that would make cults subject to taxes or would allow parents of members to remove their children legally.

The religious groups have drawn on the expertise of the Citizens Freedom Foundation, a group formed by parents in the 1970s that now has 52 affiliates in the country, and another secular group, the Center on Destructive Cultism, part of the American Family Foundation in Boston.

A vexing subject for all the groups is deprogramming, intensive therapy to counteract a cult's influence when a member leaves or is forcibly removed. Most of the cults subject to taxes or would allow parents of members to remove their children legally.

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LIBERIA

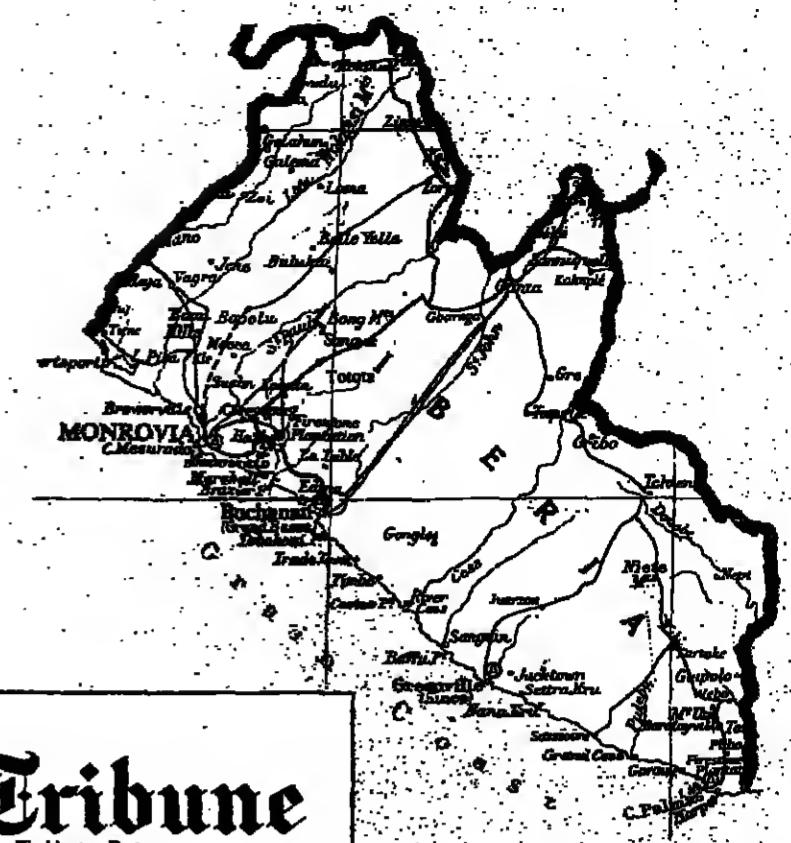
Area: 37,743 square miles.
Population: 1.87 million, 70% of working population involved in agriculture.
Capital: Monrovia, population (1978) 208,629.

Exchange rate: 1 U.S. dollar = 1 Liberian dollar.
Gross domestic product (1980): U.S. \$1.15 billion.

Exports (1980): \$600 million, of which:

Iron 50%; Rubber 17%; Timber 12%; Diamonds 5.6%. Imports: \$551 million, of which oil accounts for 27.6%.

1981/1985 Development Plan: Total planned expenditure = \$615 million, including: Agriculture, \$203 million; Promotion of small and medium firms, \$31 million; Education, \$50 million; Health, \$32 million; Roadbuilding \$109 million; and Energy Development \$41 million.



INTERNATIONAL
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AUGUST, 1982

Economy Hit Hard by World Crisis

Special to the IHT

MONROVIA — The United Nations, the International Monetary Fund, the Paris Club and other expert bodies tend to couch the negative assessments of Liberia's economic policy terms.

Liberian leader Samuel K. Doe, on the other hand, prefers to be frank.

"Let me tell you my people, we are damned broke," the youthful commander in chief said in a recent speech.

The country's diminishing circle of foreign friends would be forced to agree.

Liberia's problems mirror those of most other small West African states trying to keep afloat during an international recession that has caused bigger and stronger economies to flounder.

The conjunction of plummeting export prices for raw materials and commodities, a steady rise in oil and other imports, and high interest rates creates a book-balancing crisis that is largely beyond the control of vulnerable nations like Liberia.

Recently, Mr. Doe gave some rare details of the "grave shocks" Liberia was suffering because of the international climate. 1981 domestic production was down to \$715 million, compared to \$801 million in 1980, and revenue was down to \$237 million from \$268 million, he said in a speech to the cabinet and the ruling People's Redemption Council during discussion of the next budget.

UN Told of Needs

In a report that spoke of the "critical humanitarian needs of the population" of 2 million, the UN General Assembly was told last December: "The country is presently in the throes of grave economic and financial difficulties."

A team of 22 experts from 11 UN agencies was sent to Monrovia in March to run the rule over Liberia's economy.

Citing a negative growth rate of more than minus 4 per cent, substantial budget and balance of payments deficits, severe shortage of foreign exchange and a virtual halt in private investment since Mr. Doe's coup in 1980, the team called for a public investment program until 1983 of \$206 million.

But there is always a reverse side to the kindly palliatives which emanate from the slow-functioning UN bureaucracy.

Foreign investors, both private and governmental, tend to attach more importance to the hard-nosed prescriptions laid down by the IMF, which has a resident officer in Monrovia.

Tough Medicine

Their medicine is invariably tougher and in Liberia's case the fund called for new taxes, the cutting of subsidies on rice and other staples, a freeze on pay and public sector hiring, and a limit of \$70 million on the current deficit.

These harsh conditions, most of which have been met, were inevitable after Liberia had to reschedule its foreign debt with the Paris Club in 1981 for the second year running.

But the crisis facing the government cannot be blamed exclusively on external factors. Large debts were inherited from the previous government of William R. Tolbert who squandered a fortune on hosting the 1979 Organization of African Unity summit.

The needless butchery of top Tolbert officials in the coup and the zigzag course that the government has followed ever since are just as responsible.

The deposed elite of Americo-Liberians were as frightened as Liberia's conservative neighbors were dismayed by the sudden appearance of Mr. Doe and his largely uneducated corps at the national helm.

Many qualified Liberians fled but others just sent their money abroad, and one recent report reckoned that bank deposits had dropped by 40 percent in two years.

Smugglers Rising

Traditionally Liberia has been a haven for large foreign companies who were given generous concessions as long as 50 years ago. Those contracts are now under review but the principal concessionaires, Firestone for rubber and Lamco for iron ore, are running so close to unprofitability because of falling world prices that no Liberian government can squeeze too hard.

The government wants a major investment program, and Mr. Doe seems obsessed with the call for a \$2.5 billion infusion from Western countries. But until the climate stabilizes foreign investors will continue to hold back.

Liberia's flag of convenience continues to provide steady revenue, since it requires no capital commitment in the country, but the regular purges of the People's Redemption Council and the ubiquitous presence of a well-paid but often indisciplined army are little encouragement to potential investors.

Certainly the country cannot afford to sack some of the caliber of Byron Tarr, who was inexplicably removed recently from the Planning Ministry.

Mr. Doe can count on Washington to push



Elizabeth Tuckin
Fetching water: Piped supplies are rare outside major towns.

U.S. Cooperation Growing in Doe Regime's 3d Year

By Denis Herbstein

MONROVIA — When Master Sgt. Samuel Doe and his fellow noncommissioned officers executed 14 leaders of the old regime in April, 1980, memories were stirred of another African revolution.

Ethiopia and Liberia were for long black Africa's only independent nations, each ruled for decades by a clique of families and friends.

When the Dergue overthrew Emperor Haile Selassie of Ethiopia, it also lined up the courtiers of that country and shot them in cold blood. But there the comparison ends.

Liberia has not turned to Marxist regimes like Russia and Cuba to fight its battles, nor has it taken the land from the rich to give to the poor peasants.

Liberia's "revolution" has been of a milder consistency. The political prisoners have been freed, the press is one of the best along the coast, religion flourishes to a degree.

A street banner proclaims: "Down with nepotism, up with equality of opportunity," while on the road to the airport a banner says: "The United Methodist Church bids you boy vogue."

U.S. Role Grows

Though the Soviet airline, Aeroflot, has an office on the main street of Monrovia, it flies in but once a month. Nonalignment may have been an early rallying cry, but now the United States is playing a more formidable role than ever before.

Bacchus Matthews, director-general of the Cabinet, said: "We were faced with serious economic problems."

"The government was inexperienced and the U.S. helped out. Otherwise, it would have left a vacuum and one must then ask who fills it. But that is not to say we are any less independent because of it."

U.S. investment in Liberia is worth \$350 million, its replacement value considerably more.

The Voice of America's transmitting station outside Monrovia is the most powerful of its kind in Africa.

In the last year, Washington's assistance has amounted to \$80 million, including \$12 million to build houses for Mr. Doe's soldiers.

Last year 100 U.S. "green berets" — Special Forces troops — trained with the local army.

William L. Swing is, in the current jargon, a high profile ambassador, popping up regularly on television, making speeches at school prizegivings, chatting with the head of state at the executive mansion. "Too much like a press consul," they say at Western cocktail parties.

Whatever the viewpoint, the United States is tilted to its West African protégé by a dual umbilical cord, the freed-slave founders and the dollar. Quite soon, Mr. Doe will go to Washington to meet the president.

As head of state, Mr. Doe leads a junta of unsophisticated military men, advised in its decision-making by a capable Cabinet.

Then a master sergeant, Mr. Doe was possibly the most humble soldier ever to seize power. Similarly, his education at the Marcus Garvey high school in Monrovia did not end with a diploma.

Yet without exception one hears from ministers, academics, journalists and diplomats of Mr. Doe's quick grasp, his ability to learn as he goes along, his appetite for work, and his willingness to admit mistakes.

This last characteristic can go too far. At the last count, 37 ministers have filled the 16 Cabinet places since the coup.

Mr. Matthews was sacked as foreign minister last November for "actions out of keeping with the aims and aspirations of the government" only to be appointed to his more sensitive post six months later.

Of the major planks in Mr. Doe's political platform, the new constitution is the most promising. It is aimed at bringing all Liberians into the civic life of the country.



Mr. Doe at the Cotonou summit in May.

At the same time, for reasons both economic and redemptive, he has pardoned the old order of Americo-Liberians and will tap their worldwide know-how.

The name Tubman is closely identified with that elite, so that when Winston Tubman, nephew of the former president, became justice minister last month, the reconciliation was well-nigh complete.

On the same day, the People's Redemption Council restored houses, rubber farms, oil palm plantations and other property confiscated from 34 government officials after the coup. Soldiers and civilians living in the restored houses were expected to move out sharply.

Not returned were the 144 houses and other paraphernalia of wealth belonging to the men executed.

The ambition that most observers believe to be the most difficult to achieve is the abolition of graft, or at least a reduction in, graft in public life.

It was a salutary warning. Mr. Doe's deputy, Maj. Gen. Thomas Weh Syen, and four other members of the People's Redemption Council who had staged the coup with Mr. Doe were executed. Maj. Gen. Syen had wanted a more enlightened (i.e. leftist) stance.

As for the press, the Liberian Observer is permitted a certain amount of leeway.

Twice in the last 15 months its proprietor, Ken Best, has landed in jail, the first time with his whole staff, including his wife, the paper's business manager, for publishing letters from students.

Mr. Best was inside for 10 days, and the Observer was closed for three weeks. Last November he was arrested again and the paper closed for another three weeks for a "sensitive" article on Liberia's relation with neighboring Guinea.

Mr. Best still can say, "The PRC say they support press freedom and I hold them to that." But he tends to steer clear of "sensitive" subjects.

All the while, Mr. Doe's position looks stronger, his footwork surer. Is it possible that he will stand as the country's first civilian president under the new constitution? Or will he simply, like Nigeria's Gen. Yakubu Gowon, search out a leafy Western campus to prepare a thesis on "How I seized power."

Foreign Grants By Donors, 1980 — 1981 Millions of Dollars

Donor	1980	1981
United States	13.8	51.5
United Nations	4.6	4.9
European Economic Community	2.3	2.0
Japan	—	6.1
Netherlands	—	0.3
Egypt	—	0.4
France	—	0.3
Other	4.3	0.3
TOTAL	25.0	65.8

14,000 Freed U.S. Blacks Formed the Nucleus of a Nation

By Elizabeth Tonkin

MONROVIA — The modern state of Liberia began in December, 1821, when a lieutenant of the U.S. Navy bought the land on which the capital of Monrovia now stands by leveling his pistols at the head of the leading local negotiator. The cost was below \$300.

The improvement of the native tribes and their advancement in the arts of agriculture and husbandry being a cherished object of the government, it shall be the duty of the president to appoint in each county some discreet person whose duty it shall be to make regular and periodical tours through the country for the purpose of calling the attention of the natives to these wholesome branches of industry and of instructing them in the same."

Winston A. Tubman, director of research and legal adviser to the commission (he has since become justice minister), agreed that the American influence is preponderant. "The difference, however, is that in 1847 they knew nothing but the American constitution. Today, especially after the breakdown of the British Westminster-style government in Africa, we find that the United States model is the most practical."

Work remains to be done: the registration of voters, delineation of constituencies and, most important in the publicly perceived democratic process, a referendum to accept or reject the draft constitution.

Most agree that Samuel Doe is sincere in wanting to restore civilian rule. After five years, however, some of his lieutenants may find it disagreeable to surrender the trappings of power.

— D.H.

more sophisticated than the new arrivals. The settlements, made on the Grain Coast (named after the pepper that 15th-century Portuguese traders had brought there), contained no gold or large trading centers as did other parts of West Africa but did offer a market for Western goods in return for a variety of produce and provisions of firewood, freshwater and rice needed by traders.

The settlers came to an Africa that had been involved in world trade for hundreds of years and that was increasingly the object of European control. They were soon caught up in keen commercial competition and along with their coastal neighbors, combined in shifting alliances and fought for control of seaside trading points and for positions as middlemen to the people further inland. Often the Americans were seen as just another set of rivals who, however, did offer useful commercial training and knowledge of English to people working in their households.

The settlers did not come seeking their African heritage. Their feelings were made clear in the 1847 Declaration of Independence: "We the people of the Republic of Liberia were originally the inhabitants of the United States of America. In some parts of the country, we were debased by law from all the rights and privileges of men... We were everywhere shut out from all civil office... We were taxed without our consent... We were made a separate and distinct class and against us every avenue to improvement was effectively closed. Strangers from all lands of a color different from ours were preferred before us..." The settlers said that they had been "induced to form settlements on this barbarous coast."

While they wanted their freedom, they lacked the resources of capital, manpower and administrative experience.

membership and promised their loyalty in exchange for salaries. This money was often the only local source of cash. These people, often called *kai*, could also be important members of their own communities, albeit relatively set apart from the "tribal" customs that the government treated as a safely folkloric alternative to real power.

Politics, Economics

In a country where public-sector bankruptcy is a familiar condition, politics and economics have always been intertwined, and conflicts of interest, corruption and collusion have resulted.

Even the settlers were divided in competition for scarce resources.

Despite the well-known dominance of the True Whig Party, most presidential elections were bitterly fought.

A small army, made up mostly of indigenous enlisted men, was built up. Given that other opportunities were few, private soldiers could be attracted by small privileges.

In the 1930s, Liberia hit the headlines when *kai* leaders informed the League of Nations that the government was forcing workers to go to Fernando Po in order to fulfill valuable contracts.

At Liberia's own request, the League investigated the internal labor conditions. The suggested solutions were to set up a type of white trusteeship — a proposal rejected by Liberia — and to encourage economic colonialism by the Firestone Rubber Co.

It can be argued that although there were real abuses, Liberian conditions were comparable to those in the French and British colonies.

Firestone began operations in Liberia in the 1920s, but it was not until World War II that

Lummus Operating Associates is proud to be a part of Liberia Petroleum Refining Company's successful operation of its Monrovia Refinery.

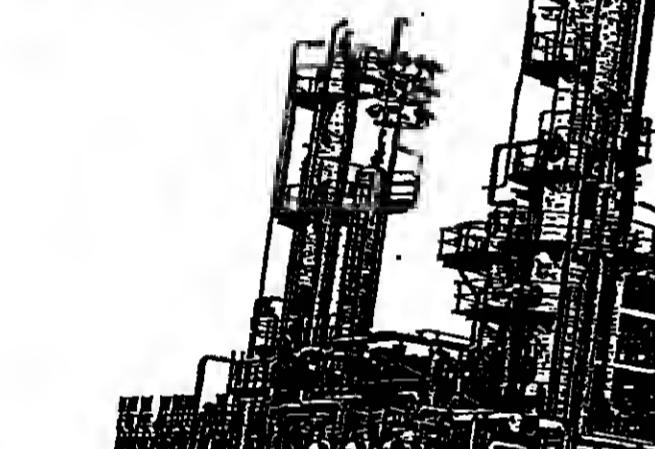
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BOTTLERS OF COCA-COLA, FANTA & SPRITE IN LIBERIA

Banking: The Ability to Adjust

The writer is vice president of Citi-bank of Liberia.

By K.N. Tshibaka

MONROVIA — For a system that has gone through trying times, the banking system in Liberia has proven, like the country's economy, that it can adjust to changing conditions and strive on.

The high reserve requirements imposed by the National Bank of Liberia since April, 1980, the continued liquidity pressures both onshore and offshore for the banking system as a whole, the increased level of loan delinquencies due to a materially deteriorated economic environment, and the demise of the Bank of Liberia are major factors that have significantly impacted the performance of the banking system.

Eight banks serve a wide spectrum of needs in the Liberian economy. They include development banks such as the Liberia Bank for Development and Investment and the Agricultural & Cooperative Development Bank.

The former is owned by various international organizations and foreign government agencies, the government of Liberia, which owns about 18 percent of the shares, and other private institutions and quasi-private companies, such as Citibank, Intrusco, Firestone, Lamco, and Bong Mines.

The Agricultural & Cooperative Development Bank is a 100 percent government-owned bank which, as the name implies, is involved in the promotion of agricultural activities in rural Liberia.

Another 100 percent government-owned bank is the National Housing and Savings Bank, whose charter has been expanded to include commercial banking. It is, for instance, managing a \$50 million loan syndication that assures the supply of oil to the country.

After the closure and liquidation of Bank of Liberia, which was 49 percent owned by Chemical Bank of New York, the National Housing Bank is today the largest bank in Liberia.

Branches and subsidiaries of international banks also have an established presence in Liberia: Chase Manhattan, the Bank of Credit and Commerce International, Tradeco, the International Trust Company, and Citibank.

Until 1974, there was no central bank as such. Citibank then became the Bank of Monrovia, played the role of depository bank for the government and its agencies as well as that of a clearing house for other locally established banks.

Naturally, the first governor of the National Bank of Liberia was a senior Liberian officer of Citibank's Monrovia branch. The birth of the National Bank brought along the Financial Institutions Act of June 18, 1974, (amended in 1978).

The Act gives the National Bank:

- Sole right to grant provisional and full licenses to local financial institutions and to foreign institutions doing business in Liberia.

- Authority to license dealers in foreign exchange who agree to reporting requirements prescribed by the National Bank.

- Authority to revoke any license under certain conditions.

- Power to issue rules and regulations that govern the conduct of banking in Liberia.

In line with its open-door economic policies and clear determination to promote the free enterprise system, the financial institutions Act is the least cumbersome of regulatory instruments found in sub-Saharan Africa.

So far the National Bank has wisely chosen not to interfere with the forces of the free market.

The Liberian economy is truly liberal. There are no restrictions in respect of capital flows and the cumbersome licensing system found in other countries does not exist here. Capital moves in and out freely, although in recent times the movements have tended to be mostly outward.

Crisis Measures

Immediately following the April, 1980, coup, the National Bank, after consultation with local financial institutions, enacted a number of measures aimed at mitigating the effects of the crisis of confidence.

There was suspension of all outward remittances for 30 days, exporters were required to repatriate proceeds of their exports, restrictions were placed on the amount of cash (U.S. notes) that could be taken out of the country, letters of credit were to be backed by 100 percent cash collateral and reserve requirements were raised from an average of about 8 percent of qualifying deposits to an across-the-board maximum level permitted under the National Bank's charter — 15 percent.

As had been expected, the removal of some of these measures, especially those having to do with the outward movement of funds, heralded the beginning of a capital flight which, as shown in Table 1, reduced the deposit base of the combined banking system by 12 percent between the record level of \$176 million reached at March 31, 1980, and the low of \$103 million recorded at December 31, 1981.

There has been a marked increase in the level of liquidity as at the end of March this year. This represents more a deposit of government checks in the banking system rather than an inward movement in the flow of private capital.

TABLE 5: Profitability of Commercial Banks (millions of dollars)

	1979	1980	1981
Total Operating Income	33.9	41.6	35.0
Less:			
Salary Expense	3.9	5.4	5.1
Other Expense	21.6	29.1	21.0
Income Tax	3.4	3.3	3.5
Extraordinary (profits)/Charges	.2	2.2	2.0
Total Net Income	3.2	2.2	2.0

Despite the massive loss of liquidity by the local banking system, the National Bank of Liberia has maintained its 15 percent reserve requirement policy.

The imposition of the higher reserve was dictated by the increased funding needs of the government and also permitted the National Bank to continue its support of the Bank of Liberia which by September, 1980, had built up some \$11 million in overdraft at the National Bank.

The Bank of Liberia obligations to the National Bank hit \$21 million before the National Bank took the courageous action of closing it down in March, 1981.

The story told by the above data is quite evident. To meet funding problems of the government, inter alia, resources have been transferred from the private sector, a productive and catalytic segment of the economy, to the public sector.

Not only do commercial banks have to maintain higher and higher proportion of their deposits in idle funds at the National Bank; they are also forced to resort to using whatever balances they used to hold with other commercial banks to meet the new requirements.

These developments on the liquidity position of commercial banks have negatively affected their lending.

Consequently, commercial banks have maintained a level of lending well in excess of the volume of deposits available locally. The loans-to-deposits ratio of 135 percent at March 31, 1982, is well in line with the level of 137 percent recorded at March 31, 1980.

Thus, for each dollar they have received in deposits, commercial banks have loaned well over \$1.

As of March, 1982, banks loaned out \$1.35 for each \$1.00 received on deposit. One may reasonably ask how this could be so.

Parenthetically, it should be noted that the ratio would be much higher if funds now idle at the National Bank are included in loans as they represent a de facto credit to the government.

Funding Gap

The funding gap, i.e. the difference of 35 cents between the dollar deposited and the 1.35 lent out, is a partial representation of the cross-border exposure of commercial banks who, for lack of better choice, resort to offshore borrowings to supplement their local lending as well as to support import activities.

Again, the trends depicted in previous tables are obvious in Table 4 as well. The higher the loans-deposits ratio, the more commercial banks have had to borrow from their head offices of correspondent banks abroad. A linear regression analysis would probably show an almost perfect fit between the ratio and offshore borrowings. The above situation persists despite the following facts:

- The government, confronted with increased foreign debt servicing and murderous oil bills, has had to request concessions and other foreign enterprises to pay for their taxes and fuel needs offshore.

The negative impact of this development on resources available to the banking system to sustain the historical level of imports is conservatively estimated at U.S. \$72 million.

- The common sense rule that suggests a reduction in the bank's exposure in a deteriorating economic environment has not been in application here. Table 4 depicts this very succinctly and the level of imports, which is still in line with historical levels, lends further credence to the conclusion that commercial banks have continued to play a most vital and supportive role for Liberia.

With the exception of 1980, the profitability of commercial banks is in line with risk dimensions and overall business conditions in Liberia.

The return-on-basic-assets target in the United States is about 80 basis points (0.80 percent) and in certain other developed, more stable, low risk countries, it is much higher. The returns made by commercial banks here are thus well within reasonable limits commensurate with risk characteristics of the environment at the macro and micro levels.

The volatility of interest rates in world financial markets since the change of monetary policy by the U.S. Federal Reserve Bank in late 1979 is common knowledge.

Liberia has not been spared from the terrible effects of high interest. As indicated previously, in Liberia depend to a great extent on foreign borrowings to fill the funding gap created by the shortfall in the available liquidity in the local market. It follows that interest rates paid are to a great extent a function of the prevailing situation in world markets.

The reserve requirement of 15 percent is also a significant cost factor to be dealt with. For instance, while a client depositing \$100,000 as a time deposit may obtain a nominal interest rate of say, 12 percent per annum, the effective cost to the bank is actually 14.12 percent per annum (100/85 x 12 percent).

The bank has taken on deposit \$100,000 but because of the National Bank's reserve requirements of 15 percent, it can put to use only \$85,000, the balance of \$15,000 having to be kept idle at the National Bank.

Thus, the bank, assuming it has a creditworthy borrower, can lend only \$85,000 while continuing to incur cost on \$100,000. The resulting cost is not what the nominal rate would lead one to believe.

Finally, the massive flight of capital referred to previously is a clear indication that money has become a scarce commodity. And it cannot be exempted from the laws of supply and demand.

Recently, there have been pressures on the National Bank to increase deposit rates in the country, the implicit objective being that of encouraging an inward flow of capital.

The National Bank has thus come up with certificates of deposit generally priced at 300 to 400 basis points above rates paid on deposits of comparable tenors by commercial banks. It is this writer's belief that this action pursues two principal goals:

- To force commercial banks to revise their deposit rates upwards.

- To generate liquidity with which the National Bank could support financing needs of the government.

Either option spells trouble. Either lending rates will move up in tandem with deposit rates or banks will reduce the amount of credit available to business in proportion to their loss of funds to the National Bank.

The likelihood of business failures and of a general slowdown in the level of business activity because of the high cost of funds increases accordingly.

Market forces within a free enterprise system must be allowed to set the prices at which goods and services are exchanged. Interference with such forces often destroys but rarely improves the efficiency of the free market.

Problem of Confidence

Following the freezing and subsequent confiscation of assets held in the banking sector by certain depositors, the feeling was that confidentiality of banking affairs was not guaranteed, especially since any government authority believed it could inquire into the affairs of private depositors at any time.

This development cannot be uncoupled from the general confiscation of assets mortgaged to banks in support of loans they had advanced to certain individuals and companies. For banks, the real value of "security" becomes a moot affair. For the depositor, the confidentiality and safety of his money are at stake.

The government has now resolved most of the issues that were said to have affected confidence in a negative way.

Confiscated assets, with the exception of those belonging to exiled members of the previous regime, have all been released to their rightful owners. The confidentiality of bank accounts has been reinforced by the government. Various accounts have been unfrozen and the holders allowed to dispose of their assets as they see fit.

As should be the case, the rare letters received nowadays on bank accounts emanate from the courts of law or the National Bank for the global position of commercial banks.

Despite the temporary apprehensions, the safety of depositors' funds can now be said to be well assured. The confidence issue is of such importance to the government that none of the depositors of the defunct Bank of Liberia will lose a cent.

Dollar Dilemma

The Liberian dollar is not equivalent to the U.S. dollar. The equivalence holds only when the National Bank of Liberia or commercial banks in Liberia have unlimited access to outside credit. In such a case, any creation of liabilities could always be covered, if need be, through drawing on offshore lines of credit.

The other condition under which the equivalence thesis would hold is if all transactions involving goods and services were effected against cash (read, U.S. notes) or conversely, if the National Bank had the printing press for U.S. dollars at hand. None of these apply.

With the willingness and, so far, ability of commercial banks to transfer funds abroad without any regulatory encumbrances, a check deposited into an account in Monrovia is still a valid instrument for settling transnational bills.

But this is not different from countries which have their own national currencies and where residents sell the local currency against certain foreign currencies which they might need to transact in the international trade. For Liberia, it means that the commercial bank has sufficient credit lines abroad to conduct its transfer business.

Difficult Period Seen

For Liberia today, the most difficult period is the short to medium term, say the next two to three years.

Discipline in the management of the country's affairs will continue to be a must. Expenditures will have to be reduced and revenue collection improved, not through incremental taxes, but by putting in place a human and material infrastructure conducive to a more productive collection system.

Honesty will need to be re-emphasized and stressed to those who are charged with responsibilities for collecting taxes and surcharges of all kinds for the government.

A clearer awareness of the need to serve one's nation first and above everything else and to accept to live on whatever payment one has honestly earned will need to be instilled.

The structure of the tax system will need revision to reflect the proclaimed objectives of attracting new investors.

Public Sector Investment Program

1981/1982 — 1984/1985

	Thousands of Dollars (1980 prices)	1981/82	1982/83	1983/84	1984/85	Total
Agriculture	81,823	82,833	83,844	84,855	186,696	
Forestry	33,163	50,283	55,130	4,650	16,500	
Industry	5,400	4,800	3,650	5,222	12,330	
Electricity	2,033	4,622	3,849	2,826	3,8120	
Water	5,450	14,218	9,233	5,046	32,377	
Housing	3,385	2,700	—	—	10,085	
Roads	14,668	35,612</				



HEAD OF STATE - C-IN-C DR. SAMUEL KANYON DOE

OVERVIEW

Liberia is situated on the West Coast of Africa, bounded on the North by the Republic of Guinea on the East by the Ivory Coast on the South by the Atlantic Ocean and on the West by the Republic of Sierra Leone.

The country is divided into nine political sub-divisions (counties) and six territories. The counties are Grand Cape Mount, Montserrado, Grand Bassa, Sinoe, Maryland, Lofa, Bong, Nimba and Grand Gedeh. The territories are Kru Coast, Marshall, Sessakown, Rivers, Bomi and Gbar. The capital is Monrovia.

Liberia is about 43,000 square miles, with a coastline of 350 miles. Its population is about 1.3 million.

CLIMATE: The Liberian climate is tropical and humid and is divided into two seasons, the rainy and the dry. The rainy season runs from mid-April to mid-October, the dry season runs from mid-October to mid-April.

FIRST LIBERIAN SETTLEMENT - MONROVIA

Brooklyn speaking, Liberia can be considered a by-product of the complex conditions of American society, resulting from the American Negro slavery.

Liberia was founded in 1822 by the American Colonization Society. The Society was organized for the purpose of assisting freemen of color and ex-slaves to return to the continent of Africa.

One of the first groups of these ex-slaves who returned to Africa found their home in Liberia. On the 7th January, 1822, pioneers arrived at Mesurado on the USS "Alligator".

Upon arrival, they began to settle on the land that had been bought by Ayres and Stockton. The tract of land, which was afterwards called Providence Island, is situated on the Mesurado River a few yards from the mainland.

It was not too long, however, before this island proved unhealthy, which necessitated new negotiations for the purchase of another tract of the mainland.

The purchase of this new site having been completed, the pioneers moved from Providence Island to the mainland and built a town which they later called Monrovia, in honor of James Monroe, the 5th President of the United States.

The one-town settlement was later named Liberia from the Latin word "Liber", meaning free. Then, was the foundation of Liberia laid.

Liberia was declared to the world as an independent republic on July 26, 1847, with Governor Roberts becoming the first president. Thus, Liberia became the first republic on the African continent.

In the last few years preceding the April 12, 1980 military take over, the Liberian nation was mounted on a powder keg ready to explode at the appropriate time.

In short, the fundamental constitutional provisions of democracy were crudely manipulated to ensure a perpetuation of minority socio-political and economic control to the detriment of the masses of the Liberian people. Tokenism and nepotism were an integral part of this control mechanism.

Corruption was accepted as a way of life. What made the corrupt and inefficient civil service even more incapable of serving the needs and aspirations of the Liberian people was the fact that nearly all powers were vested in the president.

Perhaps the corrupt life-style of the ruling class could have been forgivable had they made two serious attempts to develop the country. In spite of the abundance of natural, and the potential human resources, as well as the availability of external development assistance, Liberia remained as underdeveloped as ever.

This perhaps, gives an overall view of the situation that prevailed in the country when Tolbert came to power upon the death of President William V. Tubman in July, 1971. In order to ensure a safe and positive development for the country, he proposed the creation of a "wholesome functioning society" in which corruption would be eradicated and every attainment was predicated on legitimate effort. Funds were raised throughout the country and given to the president for the implementation of his development programs.

Knowing that this monumental development task of the nation could not be accomplished overnight, the president patiently waited for the transformation of the Liberian into a modern state. Their hopes were constantly heightened by the president's continuous reaffirmation of his commitment to the development of the country. But after more than eight years of his rule, the people discovered that they were being deceived.

Tolbert's main preoccupation was to enrich himself and some members of his family.

GOALS

Having as its principal objective the building of a new society based on justice, equality, freedom, equal opportunity and full participation of all in the nation's affairs, the Liberian revolution is not, in any way, inclined towards the elimination of any element of the population. Conversely, the government is inclined to balance the national budget, to build schools, roads, clinics, hospitals, houses for civilians and men in arms. It is bent on using every means possible to improve the economy, despite the global economic decline which is hampering the rapid implementation of these goals. The success of the PRC Government realizes the theme of trend and sustained progress, the theme of

\$100 million F.R.C.S. Vateline B 71202126. Commemorative Postage paid at Long Island City, N.Y. 11101.

CIVILIAN GOVERNMENT

In consequence of the government's plans to return the country to constitutional rule, giving consideration to national development as well as creating a constitutional and stable political atmosphere, for such a transition, the People's Redemption Council has pledged to hand over authority to a civilian government on April 12, 1985, the fifth anniversary of the revolution. The leaders are of the opinion that during the next three years, they would have become sufficiently convinced that a government by the people, of the people, and for the people should emerge.

A salient factor of the military leaders' good intention to return the country to a civilian rule on the appointed date is clearly manifested by the appointment of a 25-man National Constitution Drafting Committee. The committee has as its task to draft a new constitution for a democratic government in which all the people would have a part to play.

PROBLEMS

PRC Government resigned itself to the task of negotiating funds. In the process, several international financial institutions were contacted, including the International Monetary Fund, which lent the Government of Liberia eight-five million dollars over two years.

Among Liberia's traditional friends and international financial institutions, the United States of America pumped into the nation's coffers more direct financial assistance within a short period of time than it gave the previous administration during the whole of its last year in office.

There are other factors which directly and indirectly seriously disturb the PRC Government, among them the unstable prices of oil, iron ore, rubber and other agricultural products; new investments were not made after the coup; iron, ore and rubber, one of the nation's main revenue-generating sources, are not selling favourably on the world market; this in turn affects government revenues from the iron ore mining and rubber companies in the country.

Furthermore, due to uncertainty, customers withdrew their deposits from the commercial banks in Liberia following the coup.

As the nation's stable food, has been another major concern of government.

Because the country does not grow enough rice to feed itself, the government had to spend approximately thirty-five million dollars to subsidize the import of rice. In a sober reflection of the situation, the PRC Government a few months ago, pronounced that the government would no longer subsidize the importation of rice; instead, it declared the Liberian market open for all interested private business to import rice, but mandating that the price of a 100-pound bag of rice remains at twenty-four dollars.

The substantial amount of money that the government used to spend to subsidize rice importation is now diverted to other developmental programs.

In yet another effort by the PRC Government to enhance its economy, it introduced a National Savings Bond Scheme.

Under the scheme, the government borrowed from all salaried employees certain amounts of their salaries, to be repaid by government on the expiry of the sixth, seventh and eighth year after the issue date. Every wage-earning government employee, whether under a consultancy, permanent, part-time, temporary, business firms, concessions, and individuals also purchased the bonds on a voluntary basis.

The minimum amount of savings bonds subscribed to and purchased was US\$10.

At the lapse of four installments from the remuneration for the months of January, March, May and June, 1981, the scheme netted \$21 million.

BUSINESS ATMOSPHERE

To induce and restore greater investment and to accelerate the growth of the economy, the PRC Government reactivated the National Investment Commission (NIC), which was created by the defunct Tolbert government in 1979. The NIC serves as the government's official center for investment promotion and for the processing and conclusion of investment incentives agreements. The Commission is headed by a Chairman who has Ministerial status, and reports directly to the Head of State of Liberia. Five other Cabinet Ministers are members of the Commission. They are:

1. The Minister of Finance;
2. The Minister of Planning & Economic Affairs;
3. The Minister of Justice;
4. The Minister of Commerce, Industry & Transportation;
5. The Deputy Minister of State for Economic Affairs.

THE STRATEGY

The NIC has prepared a number of feasibility and technical studies for various projects and is now actively seeking the necessary financing for their implementation. We can compile a listing of these projects. They include projects for:

- Bonded Warehouses;
- A Paper and Pulp Factory;
- An Automobile Tyre Factory;
- Oil Palm Estates;
- Soluble Coffee Plant;
- Cassava Animal Feed Project;
- Fish Processing;
- Rolling Steel Mill;
- UBA/PALMCO (edible oils);
- Liberian Tropical Products Corp.

Under the auspices of the NIC, the government has launched three programs of assistance to Liberian businesses:

1. The Liberian Government Scheme under which the Government has

HEAD OF STATE DOE AND KOREAN PRESIDENT CHUN DOO HWAN SIGN A JOINT COMMUNIQUE AT GEONG WA DAE (BLUE HOUSE).

2. The National Investment Commission (NIC) which is a joint venture between the FMO and a group of Liberian institutions, including the Liberian Bank for Development and Investment (LBDI), Liberia Finance and Trust Corporation (LFTC) and Partnership for Productivity (PPP), with the objective of establishing a minimum cost selective business which can share common facilities and common management assistance in an industrial estate.

3. The United States Agency for International Development (USAID) Supported Program under which funds have been made available to assist enterprises covering all legitimate economic activities in New Kru Town, West Point, New Georgia and their environs.

THE INVESTMENT POLICY

This basic policy guides the government's strategy. It is the Open Door Policy, the elements of which are:

- (a) An open invitation to foreign investors generally;
- (b) Guarantees of non-nationalization and non-seizure;
- (c) The absence of restriction on the remittance of profits, dividends and repatriation of capital;
- (d) Attractive tax and other investment incentives;
- (e) Tariff protection for infant industries;
- (f) An opportunity for expansion of trade relations with other countries in Africa using Liberia as a base, since Liberia is a member of ECOWAS and the MANO RIVER UNION.

The dollar value of these projects is in excess of \$59 million. Six projects, with a dollar value of over \$4 million have already got underway. These companies will provide a total of 296 jobs for our people. Equally important, the NIC has, over the last 21 months, built a reputation for honesty and efficiency.

With regard to the small business program, NIC has completed all requirements for the launching of the Liberian Government scheme and the joint Liberian Government/FMO program of assistance to Liberian businesses. The USAID-supported program is already underway in West Point, New Kru Town and New Georgia, and several businesses are benefiting from this program of assistance.

NIC proposes to promote investment in which the term "resource-based industries" in which Liberia has a natural advantage. The listing of these industries includes:

- (a) Industries which will provide inputs required by agriculture or which will process agricultural commodities and livestock products (e.g. fertilizer blending, agricultural hand tools, etc.)
- (b) Industries which are supportive of activities in forestry and mining (e.g. charcoal, clay, brick and roofing).
- (c) Light mechanical/electrical/chemical industries (e.g. assembly of domestic appliances, manufacturing of electrical fixtures, and the production of pharmaceuticals).

LOGS IN PROCESS OF SHIPMENT

INTERNATIONAL TRADE

Liberia's external trade has remained relatively marginal to world trade. Its exports, on average, represent one percent of world exports.

In 1980 Liberia export trade netted \$604.0 million, while the same period accounted for \$533.9 million in imports. During the first quarter of 1981, export trade amounted to \$144.7 million and \$118.4 million in imports.

On the Western Sahara Question, Liberia believes that both parties to the dispute (Morocco & the Polisario Front) should implement the decisions reached by the Heads of State and Governors of the OAU in Nairobi, Kenya, in June, 1981 for a cessation of hostilities and the holding of a referendum to determine the future of the territory.

The Americas

Liberia continues to maintain very cordial relations with countries in the Americas and the Caribbean and has established diplomatic relations with several countries including the United States of America, Canada, Haiti, Trinidad and Tobago, Guyana, Brazil, Cuba, Argentina and Bolivia.

As the largest aid donor to Liberia, the United States has been very supportive of the goals and objectives of the Organization of African Unity.

The Pan American Union, the Economic Commission for Africa, the Economic Commission for Latin America and the Economic Commission for Europe are among the international organizations which have been instrumental in helping Liberia to achieve a functional cooperation among African States.

In order to operationalize this functional approach, Liberia concluded protocols with each of its neighbors which accelerated bilateral cooperation among them.

This effort culminated in the establishment of the Mano River Union between Liberia and Sierra Leone which the Republic of Guinea joined in 1980.

On the Western Sahara Question, Liberia believes that both parties to the dispute (Morocco & the Polisario Front) should implement the decisions reached by the Heads of State and Governors of the OAU in Nairobi, Kenya, in June, 1981 for a cessation of hostilities and the holding of a referendum to determine the future of the territory.

DOMESTIC TRADE

By 1981 statistics, the total number of businesses registered was 3,106 as compared with 3,707 for the same period in 1980. This shows a decrease of 19%.

BILATERAL TRADE AGREEMENT

The Government concluded and signed bilateral trade agreements with the Republic of Korea in December of 1980. During the visit of the Liberian leader, Commander-In-Chief Samuel K. Doe to that country in May this year, major discussions between him and Korean leaders centered mainly on this trade agreement. No sooner had the Liberian leader returned home than a 17-nation trade delegation from Korea visited Liberia to determine areas in which they will invest in the country.

A trade agreement was also signed between Liberia and India in November 1981.

MIDDLE AND FAR EAST

Liberia has established diplomatic relations with the following countries in the Far East: The People's Republic of China, Japan, India, Philippines, Pakistan, Indonesia, Kingdom of Thailand, the People's Democratic Republic of Korea and the Republic of Korea. In July, 1982 Liberia has joined its fellow members of the Non-Aligned Movement.

The popular Revolution which ushered in the military government of the People's Redemption Council (PRC) on April 12, 1980, has reinforced Liberia's adherence to its objectives thereby ensuring continuity in the country's foreign policy. However, the PRC Government, in its determined effort to pursue the national objective of improving the quality of life of the Liberian people, is redoubling its efforts in the political and economic spheres.

The Government has now embarked on a program of national reconstruction and has invited a civil mission from the United Nations to assist in the reconstruction of the Liberian economy.

The PRC Government has also established diplomatic relations with the Royal Kingdom of Saudi Arabia and Iraq.

This issue which concerns the Middle East and the Middle East Crisis, which poses a serious threat to international peace, Liberia maintains that the only basis for a just and lasting settlement of this issue is the full implementation of U.N. Resolution 242.

EUROPE

On the European continent, the traditional friendship between Liberia and countries in Western Europe viz. West Germany, Great Britain, France, Switzerland, Spain, Austria, Netherlands, Sweden, Norway, Denmark, Italy and Belgium continues to improve. Liberia also maintains diplomatic relations with countries in Eastern Europe, particularly Poland, Romania and the Union of Soviet Socialist Republics.

CONCLUSION

The Liberian Revolution was a direct result of a need for a new order which would provide a better life and standard of living for the Liberian people, a reasonably equitable distribution of income and wealth among the people and security for the future.

On the question of African Unity, Liberia was instrumental in the formation of the Organization of African Unity since it held a series of Summit conferences which led to its establishment in 1963. Unlike other countries which advocated the immediate

abolition of apartheid and racism, the

PRC Government realizes that the immediate task of the nation is to build a

new order which will be based on the principles of democracy, freedom, equality, justice and

independence. The PRC Government has

realized that the principles of African Unity

are not yet fully realized in the African

continent. The PRC Government has

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LIBERIA

Firestone Aide Sees Fight for Survival

HARMEL, Liberia — In the entrance hall of the Firestone headquarters at Harmel, 35 miles (56 kilometers) from Monrovia, a plaque marks the plantation company's 1926-1976 half century.

"We recognize and honor," it declares, "His Excellency William R. Tolbert, President of the Republic of Liberia, for his dedicated, effective and inspiring leadership of the Liberian people and nation and we commemorate 50 years of cooperation, progress and friendship with the people, government and republic of Liberia."

The question now being asked in Liberia is, will the world's largest rubber plantation go the same way as the executed Tolbert?

As Gray Edwards, a senior Firestone official, said recently, "We are fighting for survival."

Harvey S. Firestone came to Liberia in 1926 because the British had made it difficult for U.S. rubber planters to get into Malaya.

The company has never planted more than one tenth of its 1 million-acre concession, but that was enough to gain Liberia the name "Firestone Republic."

While Firestone enjoyed the most advantageous tax concessions, it did provide free hospitals, schooling and recreation for all its workers and sold cheap, subsidized, the staple food, in its shops.

For 40 years and more Firestone prospered. Then, with more expensive oil and smaller cars, and hence tires, the rubbermen were up.

Firestone closed down several overseas and home-based plants but out, up to now, in Liberia, though it claims that the operation is a major contributor to operating losses.

From Akron, Ohio, came a high-powered delegation to talk to the government about the future. Mr. Edwards believes the issue was tax relief.

Now Firestone is cutting back. The processing plant at the Cavalier plantation, 500 miles away on the Ivory Coast border, has been closed with jobs lost, and with a modern plant being installed at Harmel, another 235 Liberians face the sack.

Labo Minister David G. Dwyane has publicly warned that industrial peace might be endangered. Though strikes are banned by the military regime, there are reports that Firestone workers are in a sour frame of mind.

But Mr. Edwards thinks Firestone will stay.

He said, "Hopefully we can sur-

vive the period of financial problems and make a profit again."

For the new plant to be cost effective, a lot of raw rubber is needed, which is why Firestone has taken on 1,300 tappers, as well as upping by 8 percent the buy-in price of raw rubber from Liberian small-holders, who together farm more than the foreign companies.

The plant was once supplied by 2,200 independent farmers, but with the rubber crisis of last year the number dropped to nearer 100. Clearly, Firestone's operation in Liberia is on a knife edge.

If much of central Liberia seems to be an unending rubber forest, the surface of the roads, at least the unmetalled ones, is a reminder of the country's largest export earner, iron ore, which contributes more than a quarter of the gross domestic product.

In the north, you could almost get out of your car and start digging the laterite surface for its iron content.

Mining Dilemma

Deep in the Nimba foothills, the mining company Lamco, a Swedish-U.S. joint-venture with Liberia, is faced with a dilemma.

The irony of Liberia's economic plight is that it does not qualify for Least Developed Country status, entitling it to extremely favorable soft loans from the International Development Agency (though the IDA \$100 million package averages out at a softish 6 percent.)

To be an LDC, annual per capita income must not have risen above \$200 in 1980.

"Unfair," said the new planning and economic affairs minister, Emanuel Gardner.

"The traditional method of calculation does not take into account the poor distribution of incomes.

Foreign Policy: Reassuring the World

MONROVIA — Henry Boima Fahnbuehl Jr., former professor of political science, present foreign minister of Liberia, was seated comfortably in his office in the marble palace inherited from the former regime that twice imprisoned him for his political activities.

"After two years, we have been able to reassure leaders of some countries who had reservations about the coup," he said. "The coup took a lot of people by surprise. We were thought of as a country of religious leaders, predictable; so when the coup came it was almost a joke. A friend of mine who heard it on the BBC thought they were referring to Libya."

"The executions were demanded by the people. Only a year before, the old regime had massacred 100 people in the rice riots, and the leaders were required to pay the price. Call it just retribution."

But that retribution alienated many countries: "President Tolbert was the president of the Organization of African Unity that year. And our neighbors, the Ivory Coast, had very close family ties with our leaders — Tolbert's son was married to President Houphouët-Boigny's daughter. Former Foreign Minister Dennis had strong ties with West Germany. My predecessor, Bacchus Matthews, was refused entry to Nigeria" after the coup.

"We assured neighbors that we were not about to set the entire West African region on fire. No ECOWAS country actually broke off relations, though they did adopt a wait-and-see attitude. We extended the hand of friendship to the Ivory Coast, and said we understood the emotional ties, but that the coup was based on the practical needs of our country. Men come and go, but nations go on."

In June, at the summit of the Economic Community of West African States in Cotonou, Benin, Félix Houphouët-Boigny and the new Liberian leader, Commander in Chief Samuel K. Doe, were publicly reconciled. And last month the regime restored confiscated property to most of the government officials who had fled after the coup. Mr. Fahnbuehl foresees "a good effect on the outside world."

U.S. Generous

If some countries have taken longer to forgive, the United States has been more generous than it was in the old days. This year its total assistance will be \$80 million, compared with less than \$14 million in 1980. "We have always been close to the United States, and we are certainly out less close now," Mr. Fahnbuehl said.

"We have a pressing need for social services, houses for people living in slums, to eliminate malnutrition. Washington is convinced that something has to be done so that when civil government returns, these problems will not serve as the pretext for another coup."

Asked why some diplomats at the Soviet Embassy in Monrovia were expelled after the Doe regime had declared itself willing to be friends with countries of both East and West, Mr. Fahnbuehl said: "Those who betray the trust of the African people by tolerating racists deserve to go the way he did."

He conceded that his government had problems convincing former friends that "we did not seize power just to slaughter Americo-Liberians. It was, however, a fact of history that most of the top people with Tolbert were Americo-Liberians. But ours was a strictly domestic problem."

William Tolbert, who was killed in the coup — Foreign Minister Dennis was among 13 leaders later executed — had once played host to South African Prime Minister John Vorster. Says Mr. Fahnbuehl: "Those who betray the trust of the African people by tolerating racists deserve to go the way he did."

Some day, after the return to civilian rule and he is back teaching at the University of Liberia — which he can see from his office window — he plans to write a history of the Tolbert years. "It should be done by people who played an active part in those days."

al embassies. But we have good economic relations with Tripoli, as you can see from the large office block they are building next door to the Foreign Ministry."

On the thorny issue of recognition of the Western Sahara and the Polisario guerrillas seeking control of the region as the Democratic Arab Republic of the Sahara (SADR), the foreign minister predicted that the OAU would be "mature enough to resolve the problem before the annual conference in Tripoli." The OAU Council of Ministers meeting will end Aug. 3, with heads of state meeting later in the week.

"We are not against the Polisario, but must uphold OAU decisions, and therefore their entry or otherwise must be decided on the basis of the report of the implementation committee. C-in-C Doe will not go to Tripoli but the SADR representatives are there and the matter has not been satisfactorily resolved."

Mr. Fahnbuehl's father was imprisoned by the Americo-Liberians; Mr. Fahnbuehl himself was jailed as a security risk in 1968, and again in 1979 during the rice riots. Though he is a graduate of both Howard and George Washington universities in the United States, there are those in Liberia who say he is a Marxist.

"Why do people like to put labels on us Africans? Our schooling gave us a framework to analyze our society, see its contradictions, and we came up with a solution. Under the old regime, any opposition was branded as Marxist, and some of these people are still around. But in fact we are a very Christian country and I go to church."

Some day, after the return to civilian rule and he is back teaching at the University of Liberia — which he can see from his office window — he plans to write a history of the Tolbert years. "It should be done by people who played an active part in those days."

D.H.

14,000 Formed Nucleus

(Continued from Page 75)

Liberia became a vital source of rubber and a strategic staging point for the Allies.

After the war, its rich iron-ore deposits were mined by foreigners. William Tubman, the head of state, reversed isolationist policies; foreign investment and aid brought roads, work on the concessions and an expansion of Monrovia.

Development transformed indigenous opportunities.

A burgeoning bureaucracy could no longer be confined to the elite. Staff was needed for many new commercial enterprises, teachers for the rising population.

A national consciousness has emerged as well as an easy, distinctive Liberian style.

By Gillian Gunn

WASHINGTON — Samuel K. Doe and Ronald Reagan after gradually accepting the reality of U.S.-Liberian interdependence, have come around to accepting each other.

Until relatively recently they followed separate paths. Mr. Doe's attention was focused on a fuzzy ideal of an anti-imperialist revolution and President Reagan's on the previous Liberian government and its late pro-U.S. president, William Tolbert.

The relationship got off to a shaky start after the Doe revolution. In the words of a U.S. official, "We didn't welcome these soldiers who had toppled our oldest and best friend in Africa." Mr. Doe, then a master sergeant, in turn resented U.S. support for the former Americo-Liberian clique regime, and flirted with U.S. enemies including the Soviet Union, Ethiopia, and Libya.

After this early diplomatic sword-rattling, both sides re-evaluated their postures. On the U.S. side, Mr. Doe's dalliance with radicals triggered more energetic State Department brainstorming.

Unfortunate Precedent

"We realized that if a pro-U.S. country is lost to communism, it sets an unfortunate precedent," said a U.S. official recently. "It looks as if the U.S. has failed its friends."

The interest of 33 U.S. companies in Liberia with half a billion dollars worth of investments (the second largest U.S. investment portfolio in black Africa after Nigeria) also helped focus State Department attention on the problem.

And, perhaps even more importantly, Washington was gravely concerned about the future of its installations in the country: A Voice of America transmitter that broadcasts to all of Africa, the Middle East and parts of Southwest Asia; a telecommunications relay station that transmits diplomatic traffic between Washington and more than 40 U.S. embassies in Africa; and an OMEGA navigational station jointly owned by the Liberian and U.S. governments.

General Suspicion

Because of general African suspicions of U.S. intentions, there was no guarantee that any other African country would accept the facilities. And finally the U.S. was reluctant to lose Monrovia as a potential backup facility for U.S. operations in the Middle East or Southern Africa.

Flags of Convenience Issue

(Continued from Page 85) is the freedom to hire cheap labor by using crews who usually come from Third World countries. Crew costs for West German or U.S. seamen can run two or three times higher than those for Taiwanese seamen, for example. A British owner of a small vessel calculated that he would save about \$500 a day by transferring flags; during the last few years, defectors from the British flag have been alarming.

But the use of inexpensive crews has caused disputes between shipowners and the International Transport Federation, which claims that open flags protect sub-

standard operators and subject seafarers to "slave-like" conditions.

The Liberian Shipowners Council maintains that seafarers are often paid according to international standards and never lower than they would be in their country of origin. But this has never satisfied the international union, and numerous FOC ships have been held up in ports either by the ITF or sympathetic unions.

The ITF says it wants to see open registries banned not only because of work conditions but because of their reputation for harboring sub-standard ships and facilitating maritime frauds.

DENIS HERBSTEIN is a free-lance author and journalist based in London. Mr. Herbstein traveled to Liberia to report for this special supplement.

LISA BUCKINGHAM is a reporter on *Lloyd's List*, London.

DR. ELIZABETH TONKIN is senior lecturer in social anthropology at the Centre for West African Studies, University of Birmingham, England.

them a stable currency that is a major incentive for foreign investors bringing much-needed capital and jobs. Because Liberia is export-oriented it is dependent on the West; regardless of the dollar-link and even if exchange controls were imposed they would be easily circumvented."

So, the present Liberian-U.S. relationship is serving the interests of both governments admirably in the view of some observers. Mr. Doe has enhanced security, while the U.S. preserves its strategic and economic interests.

It is still unclear if the union is serving the interests of Liberia's poor. If it does not, and if the lower ranks of the military again become sufficiently enraged, another Sgt. Doe could emerge. Washington is nonetheless fully confident of continued harmony, and diplomats say "the relationship has improved beyond our wildest expectations."



On the occasion of the

135th Independence

Anniversary

of The Republic of

Liberia

The Management and Staff of

FIRESTONE

PLANTATIONS

COMPANY

Extend Congratulations

to the

Head of State

C.I.C. Samuel K. Doe

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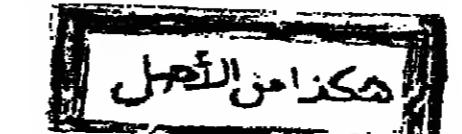
• INTERNATIONAL TRUST COMPANY
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AFROMEDIA



BUSINESS / FINANCE

MONDAY, AUGUST 2, 1982

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Big Rally Expected For Bonds

By Carl Gewirtz

PARIS — Investment bankers expect a powerful rally on the Eurobond market this week following the Federal Reserve's half-point cut in the discount rate to 11 percent late Friday.

In the little time remaining between the surprise announcement and the close of New York trading, the cost of six-month Eurodollars

EUROBONDS

tumbled to a bid price of 13% percent from 14.3/16 percent quoted in Europe earlier in the day. Thus, Eurobond dealers will have a powerful incentive to put funds into inventory bonds currently available bearing coupons of 15 percent or more.

The dollar, which closed at 2,464 Deutsche marks in Frankfurt, fell to 2,437 DM at the New York close.

Although anticipated, the cut in the discount rate, the second in as many weeks, was sooner than most analysts had expected.

Some analysts speculated that the Fed was motivated by a desire to improve the New York market's technical position before next week's two-part, \$1-billion Treasury refunding operation, while others feared it was driven to action out of concern for banks and corporations to withstand the impact of such long-lasting high interest rates.

"What I ask myself," a European investment banker commented over the weekend, "is whether the Fed's move is natural or an act of desperation."

European bankers are increasingly nervous about the strains in the U.S. banking system and in particular the waves that could be created by the difficulties Continental Illinois faces. Last week, because of its large portfolio of bad loans, the big Chicago bank was forced to withdraw from the list of the 10 banks whose certificates of deposit trade at uniform rates.

Whatever the reason, the decline in U.S. interest rates is good news for bond markets. At least two Eurobonds that were to have been launched if the money-supply report was favorable failed to materialize when the issuers decided to hold back.

The prospective lead manager of one of the issues said, "They think rates will plummet, so they prefer to wait and see."

The issues that do come are expected to feature warrants following last week's spectacular issue by IBM.

Market Astounded

IBM Credit Overseas, guaranteed by IBM Credit Corp., sold \$100 million of five-year notes bearing a coupon of 13% percent at a discount of 99%, to yield 13.95 percent. The terms astounded the market as IBM was able to sell paper here at 35 basis points (100 equals one percentage point) below what the U.S. Treasury was paying in New York.

The big surprise was really the extent to which individual investors (as well as institutions) were willing to go to buy quality. Retail customers were widely regarded as being totally out of the market.

A U.S. investment banker commented, "The IBM issue tells us that there is a definite shift in investor appetite for quality paper. It shows retail investors are increasingly discerning about creditworthiness and prepared to move out of the deposit market."

How underrated this demand is was demonstrated by the fact that the issue traded as high as 101%, reducing the effective yield to 13.3 percent, almost a full percentage point below comparable U.S. government paper.

Protection Thought Generous

The IBM notes can be called at the end of the third year at a premium of 101%, meaning investors would receive \$1,017.50 for every \$1,000 of investment. This is widely regarded as generous protection to investors as many issues have been sold that can be prematurely called at no penalty to the borrower.

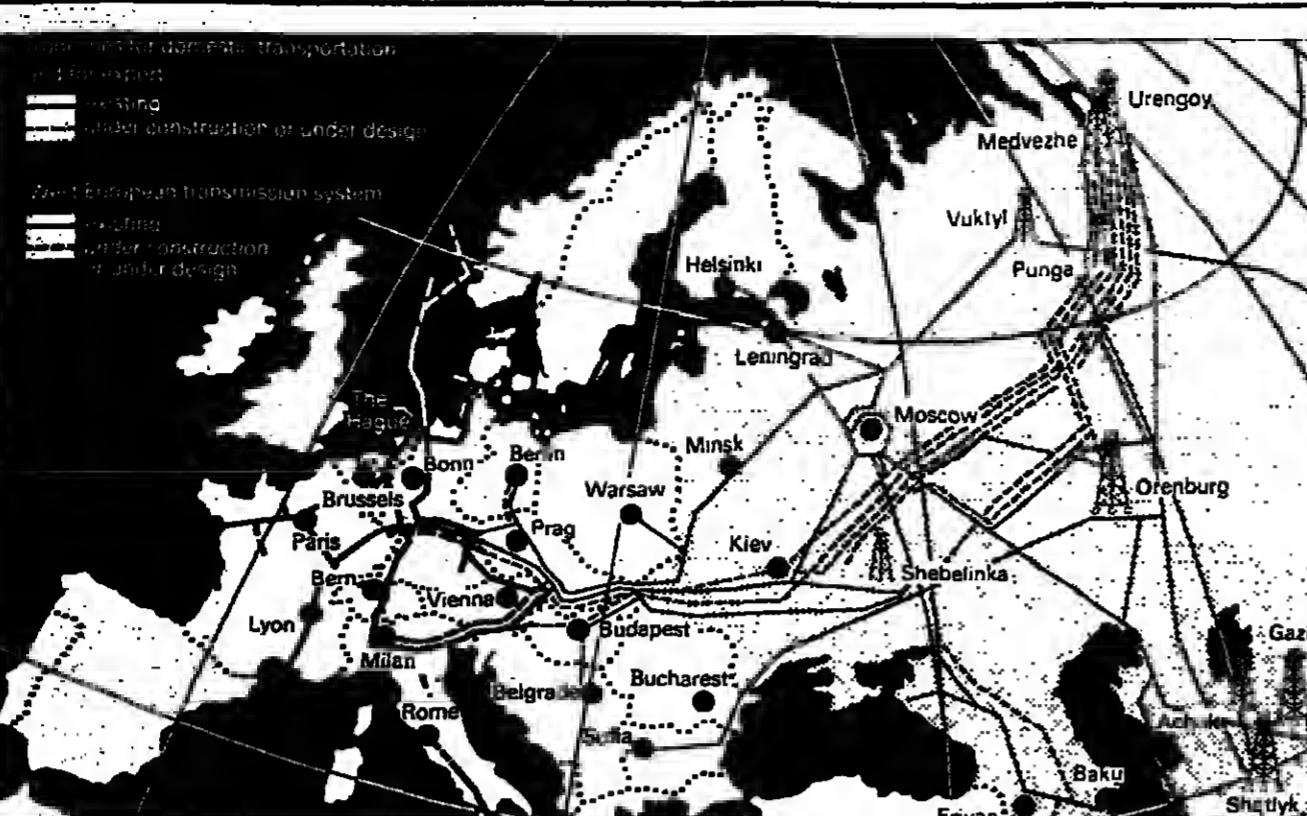
To cover itself for this eventual extra cash outlay, IBM also sold separately 100,000 warrants at \$25 each entitling investors to buy up to \$1,000 of 13-percent notes maturing in 1987.

The life of the warrants is three years (which coincides with the first call date on the note issue) and the money raised in the warrant sale would cover the cost of calling the 13%-percent notes. The operation gives IBM Credit a call on 13-percent money at no extra cost to itself.

Normally, warrants are not sold separately but attached to the initial offering. The estimated value of the warrant in that case is included in the terms of the offering, thereby enabling the issuer to sell paper at terms below what similarly dated full coupon paper would have to sell for.

But IBM was already offering its notes at very aggressive terms and to lower those further to account for the value of the warrant risked setting conditions that investors would reject.

Thus, the separate issue of warrants enabled IBM to have its cake



Ruhrgas Looking to Russians for More Gas

Big West German Supplier Counsels Americans Not to Worry

By Axel Krause

International Herald Tribune

ESSEN, West Germany — In about 28 months, West German and Soviet officials plan a gathering in the small town of Waidhaus, southeast of here on the German-Czech border, to celebrate the arrival of substantial new supplies of Soviet natural gas — even if the Reagan administration succeeds in delaying the start-up of the Siberian pipeline.

"The Soviets have repeatedly told us they will deliver the gas and we have no reason to doubt them; they have the means," said Peter Machin, a vice president of Ruhrgas AG, a privately owned gas company based in Essen and Europe's largest single customer for the Soviet gas.

Not to Worry

The means include a vast network of natural gas pipelines stretching westward from Siberia and the Ukraine. Since 1968, the network has supplied just over 12 percent of Europe's gas requirements.

Western analysts agree that the network is operating below capacity and could be mobilized to meet the late-1984 deadline for the new deliveries.

A senior diplomat based in Bonn said, "It is a matter of pride for the Russians, so even if someone else on the network gets cut, the TV coverage and champagne will be on hand to mark the Europeans getting their fresh gas supplies."

Faced with growing energy demand and relatively few alternatives, Ruhrgas is looking to the Soviet Union, as well as to other nations, for still more gas starting in the 1990s. And once again West German industrialists, bankers and government officials are telling Americans not to worry.

New Talks Denied

Company executives last week firmly denied speculation in West Germany that a new contract already was being discussed.

But Ruhrgas, which provides about two-thirds of the gas sold in West Germany, definitely is looking for new supplies. Citing industry statistics, Mr. Liesen said that natural gas covers roughly 17 percent of Europe's primary energy requirements, up from 2 percent in 1960, and that this share is expected to continue growing, although less rapidly.

In the United States, natural gas accounts for roughly 26 percent of primary energy requirements, according to industry estimates.

Echoing the views of energy planners in European industry and government, Mr. Liesen said, "Natural gas must continue to make a contribution to the diversification

and, as a result, the security of energy supplies."

To meet the demand forecast for the 1990s, European gas companies are seeking added annual supplies of roughly 40 million tons of oil equivalent, or TOE, to the 170 million TOE consumed at present.

Ruhrgas is assessing these possibilities:

• The Canadian Arctic. Under terms of a joint venture signed with TransCanada

(Continued on Page 13, Col. 1)



Welding on a gas pipeline.

U.S. Economist Sees Little Delay In Soviet Pipeline

By Glenn Frankel

Washington Post Service

WASHINGTON — President Reagan's ban on the sale of U.S. equipment and technology for the Siberian natural gas pipeline is unlikely to result in a significant delay in its construction or in gas deliveries from the Soviet Union to Western Europe, according to a U.S. expert on Soviet economics.

Edward A. Hewett, a senior economist for the Brookings Institution, said the Soviet Union had sufficient technology to circumvent the embargo.

The ban seeks to penalize the Soviet Union for the crackdown in Poland, in part by denying use of U.S.-designed turbine rotor blades for massive compressors to pump the gas through the 3,000-mile (4,800-kilometer) pipeline.

Administration officials have predicted that the embargo could delay the project, scheduled for completion by 1986, by up to two years.

But Mr. Hewett told the Senate subcommittee on international economic policy Friday that the Soviet Union could use its own smaller turbines for the project, possibly in combination with larger, U.S.-designed ones built by European companies.

He said, "It is not likely the embargo will impose a significant delay."

The Bank of Norway said Saturday that it will adjust the weighting of the so-called basket of 12 currencies used to help determine the value of the krone. The central bank's deputy governor, Berndt Skanland, said in a radio interview that the revision of the basket does not represent a direct devaluation of the krone.

The krone value will be down about 3 percent, some other currencies will be up, but it is the market which will decide the new foreign exchange rates Monday," Mr. Skanland said.

The 12 currencies in the basket are weighted according to their importance to Norwegian trade. The strength of the U.S. dollar, which has had the top weight in the basket, has helped keep the krone artificially high, in the view of some officials. The revision cuts to 11 percent from 25 percent the weighting of the dollar.

The krone recently has weakened against the dollar amid rumors that a devaluation was planned. On Friday, the Norwegian currency was trading at about 6.43 to the dollar, down 3.2 percent from a week before.

Norway Aims To Devalue Its Currency

Compiled by Our Staff From Dispatches

OSLO — Norway is to make technical adjustments Monday aimed at lowering the value of the krone and spurring exports.

The Bank of Norway said Saturday that it will adjust the weighting of the so-called basket of 12 currencies used to help determine the value of the krone. The central bank's deputy governor, Berndt Skanland, said in a radio interview that the revision of the basket does not represent a direct devaluation of the krone.

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Analysts Expect Further Decline In Rates in Light of Move by Fed

By Michael Quint

New York Times Service

NEW YORK — The Federal Reserve Board's reduction of the discount rate to 11 percent has prompted analysts to predict further interest-rate declines in coming weeks.

"The Fed is anxious to do its part in bringing interest rates down," said Maury Harris, an economist at Paine Webber Inc., a securities firm. "This is a good sign for the economy, which needs lower rates for healthy growth."

The new drop in the rate the Fed charges on loans to banks and

U.S. CREDIT MARKETS

other financial institutions was announced Friday, just 10 days after the Fed lowered the rate to 11 1/2 percent from 12 percent. That was the first change since last December.

In light of the Fed move, analysts said they expect major U.S. banks to reduce their prime lending rates to 15 percent this week.

On Friday, Mellon Bank became the first major U.S. bank to lower its prime to that level.

The prime, a guide to the rates banks charge for loans to their best corporate customers, has declined from 16 1/2 percent in mid-June to the 15 1/2 percent posted at most big banks last week.

The Fed, in statements accompa-

nying the sharp drop in interest rates this year, Three-month Treasury bills fell to 9.55 percent from 10.15 percent before the announcement and to 9.49 percent a day earlier. The six-month bill rate fell to 10.66 percent, down 1/4 percentage point on the day. The Treasury has not sold three-month or six-month bills at rates below 10 percent since August, 1980.

The drop in short-term interest rates was good news to the Treasury note market, where the Treasury has scheduled a \$6-billion sale of three-year notes for Tuesday and a \$5 billion sale of 13 1/2 percent notes due in 1992 for Wednesday. In advance of those sales, dealers offered the forthcoming three-year notes late Friday at 13.1 percent, down from 13.46 percent earlier in the day.

That put M-1 \$1.8 billion below the average level for July that would be consistent with 5 1/2 percent annual growth. The Fed's growth target for 1982 is 2 1/4 percent to 5 1/2 percent, but in light of the weak economy and technical problems in measuring money supply, "growth somewhat above the targeted ranges would be tolerated for a time," Paul A. Volcker, the Fed's chairman, said last month.

In the credit markets the cut in the discount rate and the decline in the money supply prompted one of

CURRENCY RATES

Interbank exchange rates for July 30, excluding bank service charges.

Country	Per	U.S.	Per	U.S.	Per	U.S.	Per	U.S.
Australia	2.7155	4.7175	11.9355	29.77	0.117	5.798	121.72	71.85
Brussels (a)	45.78	81.82	19.9555	4.8555	2.625	17.274	22.2225	5.3025
London (b)	2.444	4.2085	—	—	1.785 x	90.45	5.228	117.75
Milan	1.241	—	4.2778	11.9925	2.9745	47.142	8.154	24.824
New York	1.5748	2.3925	56.975	261.30	204.94	29.343	49.25	101.15
Paris	4.595	7.1245	0.7464	0.1461	0.072	12.455	6.4775	0.3727
Zurich	5.0985	8.2685	85.0725	—	4.87	21.25	14.579	32.855
ECU	0.8615	0.8202	2.3579	4.6473	122.25	8.407	45.0043	8.1165
USDR	1.89208	0.8276	2.0882	7.4411	150.24	2.9112	51.1865	2.2843

(a) Sterling: £1.000 Irish £.

(b) Commercial £/yen. (x) Units needed to buy one pound. (†) Units of 100. (x) Units of 1,000.

All of these securities have been offered outside the United States.

This announcement appears as a matter of record only.

New Issue/July, 1982

U.S. \$100,000,000



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15 1/2% Guaranteed Notes Due June 30, 1992

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International Bond Prices—Week of July 29

Provided by White Weld Securities, London, Tel: 623 1277; a Division of Financière Credit Suisse - First Boston

(Continued from Page 6)

Amt	Security	Yield—				Amt	Security	Yield—				Amt	Security	Yield—				
		% Mat	Middle Price	Mat Life	Curr			% Mat	Middle Price	Mat Life	Curr			% Mat	Middle Price	Mat Life	Curr	
Coursefield Infl Pts	1924 28 Dec	77/12	1429	1550	1528	1925	Northwest Indistr Fin	13/20 30 May	92/12	1651	1444	1926	dm 49 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Electric & Musical	6/25 19 Dec	77/12	1429	1550	1528	1927	Occidental Indstr Fin	18/14 31 Jul	88/12	1720	1126	1928	dm 20 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Ent Finance Bv	8/14 19 Apr	77/12	1765	1534	1511	1929	Occidental Overseas	11/24 30 May	92/12	1459	1458	1930	dm 21 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1931	Ohio Edison Finance	17/12 30 May	92/12	1529	1470	1932	dm 22 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	9/24 19 Oct	77/12	1429	1550	1528	1933	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1934	dm 23 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1935	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1936	dm 24 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1937	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1938	dm 25 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1939	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1940	dm 26 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1941	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1942	dm 27 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1943	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1944	dm 28 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1945	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1946	dm 29 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1947	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1948	dm 30 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1949	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1950	dm 31 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1951	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1952	dm 32 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1953	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1954	dm 33 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1955	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1956	dm 34 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1957	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1958	dm 35 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1959	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1960	dm 36 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1961	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1962	dm 37 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1963	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1964	dm 38 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1965	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1966	dm 39 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1967	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1968	dm 40 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1969	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1970	dm 41 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1971	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1972	dm 42 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1973	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1974	dm 43 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1975	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1976	dm 44 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1977	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1978	dm 45 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1979	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1980	dm 46 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1981	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1982	dm 47 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1983	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1984	dm 48 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1985	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1986	dm 49 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1987	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1988	dm 50 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1989	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1990	dm 51 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1991	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1992	dm 52 Jutland Telephone	4/24 17 Mar	94/12	765	729	726
Finance For Industry	12/24 19 Oct	77/12	1429	1550	1528	1993	Peoples Gas & Elec	18/14 31 Jul	88/12	1471	1458	1994	dm 53 Jutland Telephone	4/24 17 Mar	94/12			

Continental Illinois Sued by Shareholders

New York Times Service

CHICAGO — A suit filed here on behalf of Continental Illinois Corp. shareholders charges the bank holding company and its senior executives with "fraudulently inducing" the public to buy its stock by concealing the company's true financial condition.

The suit, which could have wide repercussions for the U.S. banking system, also names the national accounting firm of Ernst & Whitney, the company's accountants.

The action, filed Thursday in U.S. District Court, contends that Continental, the sixth-largest U.S. banking concern, and several of its senior officers concealed the bank's true financial condition between Feb. 15, 1981, and July 29, 1982.

Continental last week reported a loss of \$61 million in the second quarter, largely because of its purchase of \$1 billion in energy loans from Penn Square Bank of Oklahoma City, which failed on July 5.

After the scope of Continental's

involvement with Penn Square became apparent in early July, the Chicago bank's stock plunged from the \$30 range to a close of \$16.125 Friday, for a total paper loss of about \$560 million.

The class-action suit, which did not specify the amount of damages being sought, is on behalf of investors who bought Continental stock between Feb. 15, 1981, and July 29, 1982.

The basis of the suit is that Continental knowingly concealed the true extent of its "nonperforming" loans in the period.

The allegation carries potentially broad implications for the banking industry, banking experts and analysts said, because the methods of concealment cited in the suit are commonly used by large U.S. banks.

It was also learned that James D. Harper Jr., an executive vice president who was named in the suit, sold 68,938 shares of his Continental stock between April 22 and April 30 this year at prices between \$29.75 and \$30 a share.

Ruhrgas Looks to Russians For Still More Natural Gas

(Continued from Page 11)

Pipelines and Petro-Canada last April Ruhrgas and one of its shareholders, Gelsenberg, are studying the feasibility of shipping liquefied natural gas to a terminal in West Germany.

In Norway, North Sea gas from Norway accounts for 16 percent of West Germany's supplies. Ruhrgas is among a group of gas companies building a pipeline system from the northern part of the North Sea to the southern Ekofoek area, where production is expected to decline.

Britain's North Sea, Algeria, Nigeria, Cameroon, Gulf states and South and Central America. Each presents enormous potential, but each also poses problems, including Britain's hesitation about exporting its future production, Algeria's export prices, which many potential buyers consider far too high, the high cost of transporting gas over long distances and political shakiness in some of the developing nations involved.

By almost any measure, Ruhrgas appears well-placed to handle West Germany's future gas needs, businessmen, bankers and government planners said.

"They may not be a Bayer or a Hoechst, but we always have posi-

tive things about their growth," a Düsseldorf-based banker said.

Last year, Ruhrgas sales rose 40 percent to a record 12.3 billion Deutsche marks (\$4.99 billion), while profit grew 23 percent to 130 million DM.

While gas deliveries to recession-hit West German industries and other customers are expected to fall this year, sales in Deutsche mark terms will continue to rise, Mr. Machiniek said. He said it was "too early" to estimate 1982 earnings.

Because of its experience, Ruhrgas has built up a growing engineering and pipeline design business. Company executives said there are no plans to diversify further. Ruhrgas shareholders want to stick to the gas business, banking sources say.

The company's largest single shareholder, with 34.7 percent, is the Bergemann group, a holding company of West German coal and steel companies, including Mannesmann, Ruhrkohle and Hoechst Werke. Each owning 25 percent and Gelsenberg, a subsidiary of Deutsche BP, and Gerwerkschaft Brigitte, which in turn is owned by Eso AG and Deutsche Shell. Other gas producers in West Germany own 15 percent of Ruhrgas.

They may not be a Bayer or a Hoechst, but we always have posi-

BNOC Is Split to Prepare for Sale

By Nicholas Moore

Reuters

LONDON — The splitting-up of state-owned British National Oil Corp. by the government as a prelude to selling to private investors a 51-percent stake in its North Sea oil exploration and production business came into effect Sunday.

The measure, announced in Parliament last week, is aimed at meeting the Conservative government's pledges to give private investors a bigger stake in British North Sea oil.

A well-placed industry source said, "What has happened today is not that sensational. They had long ago announced they wanted to privatize 51 percent of BNOC's upstream business.

British regulations, not being changed by the government, require operating oil companies to assign 51 percent of the oil they

produce to the corporation, which sells it on behalf of the state.

But, under the Labor administration, the corporation was also encouraged to venture into exploration and production of its own. That slice of its business is being split off to become Britoil. Up to 51 percent of Britoil shares will be offered to private investors, probably starting this autumn.

A well-placed industry source said, "What has happened today is not that sensational. They had long ago announced they wanted to privatize 51 percent of BNOC's upstream business.

British regulations, not being changed by the government, require operating oil companies to assign 51 percent of the oil they

will actually be on offer."

Stockbroker estimates of what the sale will be worth have varied widely. Based on the likelihood of stable oil prices, some analysts tentatively predicted Sunday a price of around £750 million (\$1.3 billion).

The new Britoil is a subsidiary of BNOC and its shares will be transferred to the state before 51 percent of them are sold to the public, the corporation said Sunday. BNOC chairman Philip Osborne becomes Britoil chairman.

BNOC operates two North Sea fields and it said it hopes to apply soon to start up a third. It also has stakes in fields operated by other companies.

Bankers Expect Powerful Eurobond Rally

(Continued from Page 11)

cost of borrowing to 13.72 percent, or 58 basis points below U.S. Treasuries.

Investors also benefit. The market practice is to detach warrants from the underlying issue and trade each separately. As a result, bonds or notes without warrants are difficult to trade because the coupon is so out of line with the prevailing rates.

The IBM notes will have no such difficulty as the coupon, though aggressive, is within the range of acceptability.

Warrants are traded actively and many dealers refer to the market as Europe's newest casino.

Price movements can be dramatic, and relatively small sums invested

can bring big gains or losses.

This was amply demonstrated by the IBM warrants. Offered at \$25 each, they changed hands last week for as much as \$45, a capital gain of 80 percent for those who bought at issue price and sold at the high. The warrants ended the week at \$40.

The heavy demand for the warrants in part reflects their long life.

Ruhrgas' shareholders want to stick to the gas business, banking sources say.

The company's largest single shareholder, with 34.7 percent, is the Bergemann group, a holding company of West German coal and steel companies, including Mannesmann, Ruhrkohle and Hoechst Werke. Each owning 25 percent and Gelsenberg, a subsidiary of Deutsche BP, and Gerwerkschaft Brigitte, which in turn is owned by Eso AG and Deutsche Shell. Other gas producers in West Germany own 15 percent of Ruhrgas.

They may not be a Bayer or a Hoechst, but we always have posi-

Eurobond Yields

For Week Ended July 28

1st Inst. to term U.S.

Ind. long term, U.S.

Ind. medium term, U.S.

Ind. S medium term.

French fr. medium term.

Ind. 1st to term yen.

U.S. 1st to term yen.

EUA long term.

1st Inst. 1st to term F.L.

F.L. long term.

Calculated by the Luxembourg Stock Exchange

• Telefonos de Mexico, \$50 million of 15-year notes at par bearing a coupon of 18 1/4 percent. Lenders have the option to redeem at par every three years and the borrower can call the issue every three years starting in 1988.

• Alcan Aluminum Co. of Canada, \$75 million of 10-year bonds at par bearing a coupon of 15 1/4 percent. The bonds, callable at 102 in 1989, were quoted at 97 1/2.

• Crédit Lyonnais sold \$200 million 12-year floating rate notes bearing interest at 1/4 over the London interbank rate. Investors have the option to redeem at par in 1990.

• In the Deutsche mark sector, Banque Française du Commerce Extérieur sold 100 million DM of seven-year bonds at 99 1/4 bearing a coupon of 9 1/4 percent, to yield 9.30 percent.

By sharing some of this advantage with the other party, DBS is effectively able to pay less for floating rate funds than if it borrowed in its own name. In addition, the income from the sale of warrants will further reduce DBS's cost of the floating rate loan.

The DBS notes were not particularly sought after last week, although that may change this week with the anticipated general decline in yields. The notes were trading at 98. The warrants, which traded as high as \$42, ended the week at \$36.50.

Other issues marketed last week include:

• Long-Term Credit Bank of Japan Finance, guaranteed by Long-Term Credit Bank of Japan, \$125 million of seven-year notes at 15 1/4 percent.

The notes are callable at 101 1/4 in 1986. The notes are callable at 101 1/4 in 1986.

DBS is making an interest rate swap with another party, which was not identified. As distinctions

in credit standing of borrowers are sharpened in the fixed rate bond market than in the floating rate market, DBS is able to raise fixed-rate money more cheaply than the other party.

By sharing some of this advantage with the other party, DBS is effectively able to pay less for floating rate funds than if it borrowed in its own name. In addition, the income from the sale of warrants will further reduce DBS's cost of the floating rate loan.

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Bankers See Sign of Libyan Woes In Credit for a Yugoslavian Bank

By Carl Gewirtz

International Herald Tribune

PARIS — A modest syndicated Eurocredit for Yugoslavia's Ljubljanska Banka has bankers questioning whether the financial squeeze being felt by such populous oil exporters as Mexico is beginning to pinch Libya.

Ljubljanska's \$100-million loan is aimed at financing Yugoslav imports of Libyan crude, prompting

foreign credit risk, the risk that the unit will not be able to convert its pesos back into dollars and transfer them out of Mexico.

The notes, offered in the form of a note purchase facility, will be issued for periods of three or six months and final maturity is 1988. The notes bear interest at half a point over Libor. Underwriters earn an annual underwriting fee of 1/4 percent on the utilized portion of the loan. A commitment fee of 1/4 percent will be paid on any undrawn amounts.

In addition, managers taking \$20 million can earn an additional 1 percent and co-managers taking \$10 million can earn a 1/4 percent commission. Adding all these together, lead managers can count on earning an effective 1 1/4 points over Libor.

Primerex, a petrochemicals firm owned by four leading private Mexican companies, is seeking \$68 million for 6 1/2 years. The parent companies, while not guaranteeing the loan, are giving assurances that they will provide Primerex sufficient capital to cover the debt.

Due to differences in tax treatment, interest paid to Mexican lenders will be 1 1/4 points over Libor for the first three years and 2 1/2 points over Libor for the final 3 1/2 years or a split 2 1/4 to 2 points over the prime rate.

South Korea's Hyundai Engineering Construction Co. is in the market for \$70 million. The three-year loan, which can be extended at the borrower's option to five years, will carry a margin of 1/4 point over Libor for the first three years and 3/4 point thereafter.

Hungary has finally been formally presented with a proposal for a \$260-million loan from 15 underwriting banks. Interest on the three-year loan will be set at 1 1/4 points over Libor or one point over the prime rate.

Eleven banks are underwriting \$20 million each, while the four major U.K. clearing banks are underwriting \$10 million each.

The Canadian government, which arranged a \$3-billion facility in 1978 whose terms were renegotiated last year, has asked Citibank, the agent bank, to sound out the 90-bank syndicate on the possibility of increasing the size of the standby credit.

Citibank says Canada has no specific target in mind but rather wants to know how much of an increase is feasible. An increase of \$1 billion to \$1.5 billion is considered likely.

Interest on the increased portion would be set at 1/4 point over the prime rate or 1/4 point over Libor.

All these securities having been sold, this announcement appears as a matter of record only.

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Kredietbank International Group

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The Hongkong Bank Group

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Arnhold and S. Bleichroeder, Inc.

Bank Leu International Ltd.

Bank of Tokyo International Limited

Banque de Neufchâtel, Schümberger, Mallet

Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft

Crédit Lyonnais

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Genossenschaftliche Zentralbank AG Vienna

Goldman Sachs International Corp.

Hill Samuel & Co. Limited

Hoare Govett Ltd.

Kleinwort, Benson Limited

London & Continental Bankers Limited

Merrill Lynch International & Co.

Samuel Montagu & Co. Limited

Nippon Credit International (HK) Ltd.

Norddeutsche Landesbank Girozentrale

Scandinaviska Enskilda Banken

BOOKS

THE LAST LORDS OF PALENQUE

The Lacandon Mayas of the Mexican Rain Forest. By Victor Perera and Robert D. Bruce. Illustrated. 311 pp. \$17.95. Little, Brown, 34 Beacon St., Boston, Mass. 02106.

Reviewed by John Leonard

JUST suppose that the authors of this peculiar and engaging book are correct. The 250 Lacandon Indians of Natin in the rain forest of southern Mexico near the Guatemalan border, "are the heirs of the ancient Maya theocrats of Palenque, who, in turn, were either the first disciples of the Olmecs or simply a direct

introduction, but the bulk of the book is then left to Perera, who accompanies Bruce into the forest, records tapes, keeps a journal and introduces us, if not exactly to wisdom, then certainly to character. Every Lacandon we meet in his pages is a character most novelists spend a career looking for.

This character is what Bruce means by the Lacandon "pose." Bruce, however, goes too far. "This pose was built into their language. In Occidental languages the basic principle is a relation between cause and effect. Maya subjects combine with verbal actions directed toward other nominal objects. People who speak in this manner, or see reality through this glass, act similarly. They impose their verbal will on the objects in nature, domesticating horses and making weapons. People, animals and inanimate objects are treated as grammatical objects and recipients of the actions of verbs chosen by the grammatical subjects. In time, Occidentals extended their verbal will over neighboring tribes, widening political control over ever greater geographic areas."

Are we reading a new novel by Carlos Castaneda? No, we aren't. Robert D. Bruce may have a drinking problem — about which we hear a lot — but he is a respected anthropologist and linguist. Victor Perera may have an identity crisis — being born a Sephardic Jew in Guatemala and spending too much time in North American artists' colonies takes a toll — but he is a novelist and a journalist of impeccable credentials.

Chemistry and Sleeplessness

Bruce and Perera lived a while in the rain forest, learned to speak Mayan and listened long and hard to Chan K'in, who sounds like someone I would very much like for a grandfather. They were not encouraged to hallucinate; if they dreamt, it was over a "god-pot" in which incense burned during a sacred ceremony, sometimes involving monkey flesh, that sought less to blow the mind than to clarify it by chastity and sleeplessness. They became kind.

Soon, there will be no more rain forest. The Lacandones have, in a reduced state, survived the Spanish Conquest, the North American missionaries and four anthropologists for every available Indian. They probably cannot survive the timber barons — their forest is full of mahogany — and a consortium of federally funded oil interests. Even now, the children of Chan K'in are far too interested in the internal combustion engine.

Bruce writes a long and tendentious

introduction, but the bulk of the book is then left to Perera, who accompanies Bruce into the forest, records tapes, keeps a journal and introduces us, if not exactly to wisdom, then certainly to character. Every Lacandon we meet in his pages is a character most novelists spend a career looking for.

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This sounds good, perhaps even profound, until one starts to wonder what he means by "Occidental," "Perera?" The Mongol borders? And who, after all, invented gunpowder?

None Native

But Bruce, a self-admission, has gone native, even barefoot, spending six months of each year carrying a machete and a dentate pouch. Perera has a firm grip on himself, although he is perfectly capable of singing a Spanish Civil War song in the rain forest. If, as Bruce, says, "the basic principles of Maya grammar are possession and location," then Perera seeks to locate and possess himself. As a child of 5, he saw his first Lacandon Indians; they had been kidnapped for a sort of world's fair to Guatemala.

In Perera's mind, the Mayan and the Hebrew try to connect. They fail, but the restless intelligence involved makes us see the Lacandones, to experience their rituals, to glimpse their cosmology. Always, we are buffeted by the absurd: white men seeking salvation from history among dark men who want cameras, harmonica record players, alkaline batteries, disposable cigarette lighters and Scotch whisky. Why not a horse?

"Like the whale and dolphins," concludes Perera, "the Lacandones have much to teach us about our basic natures." Maybe. I'm more inclined to think that anthropologists and novelists find themselves in whatever they look at. The self of Bruce and the self of Perera, found near Nahá, are fine indeed.

John Leonard is on the staff of The New York Times.

WEATHER

ACROSS		DOWN	
1 N.T. book	58 Frightened	62 Chaucer's	15
5 Brief spell of	63 Allan—	of Bath	16
10 Pro	64 Sherwood	63 of	17
13 Dash	65 Forest.	64 Overcast	18
14 Nonpaying	66 Fribus, e.g.	65 Surmounting	19
15 River in India	67 Commissions	66 Commotions	20
16 and Pakistan	68 Always	67 Always	21
17 Sandarac tree	69 Ritter	68 Ritter	22
18 Shoshoneans	70 Bittern's	69 Bittern's	23
19 Crazy	71 Cousin	70 Cousin	24
22 Accelerate	72 Actor Bruce	71 Actor Bruce	25
23 Rips	73 President from	72 President from	26
24 — judicata	Braintree,	Braintree,	27
25 Miniver or	Mass.	Mass.	28
27 Honest one	26 Gem weight	25 Gem weight	29
28 Church part	3 Barter	3 Barter	30
29 Prank	4 Looped band	4 Looped band	31
30 S.A. ungulate	5 Rubbed	5 Rubbed	32
33 Corn and Bible	6 harshly	6 harshly	33
40 Against	7 Perambulator,	7 Perambulator,	34
41 Blue-pencil	in Soho	in Soho	35
42 River outlet	7 Verdi opera	7 Verdi opera	36
43 Retain	8 Bettors with	8 Bettors with	37
45 Cyna	inside info	inside info	38
46 Period	9 British textile	9 British textile	39
47 Resort	merchant	merchant	40
49 Hitler's	10 Corrupt to an	10 Corrupt to an	41
partner	extreme	extreme	42
51 Secret agents	11 Once —	11 Once —	43
53 Mountain	lightly	lightly	44
nymphs	12 Diva Stevens	12 Diva Stevens	45

WEATHER

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SPORTS

Dodgers Close Gap on Braves As Valenzuela Triumphs, 3-0

The Associated Press

ATLANTA — Fernando Valenzuela called it his best game of the year after pitching a six-hitter Saturday as the Los Angeles Dodgers blanked Atlanta 3-0, and moved within .75 games of the front-running Braves in the National League West.

"I pitched very well," Valenzuela said. "I think this is my best."

The Dodger left-hander had eight strikeouts and walked only one in recording his 11th complete game and second shutout of the season.

Dusty Baker drilled his 18th homer in the fourth inning off Pascual Perez (6-1) for the only run Valenzuela needed, and Steve Sax added a two-run single in the fifth.

"It was a very important game for the team and a little bit more important for me because I haven't pitched very well in this park," said Valenzuela, who had lost his only two previous decisions in Atlanta Stadium.

"I think it means we have a chance to win four here," said Manager Tom Lasorda when asked if there was a psychological edge in sweeping a doubleheader Friday night before winning Saturday's game. The teams were to wind up their four-game series Sunday.

"It's more crucial to them than us," said Joe Torre, manager of the Braves. "There's still a long way to go, but we're still in first place."

The setback marked the first time the Braves have dropped three in a row since a four-game losing streak from May 26-31.

Valenzuela was in mild trouble when the Braves got two runners aboard in the fifth and sixth innings with only one out. Bob Horner's leadoff single and Bruce Benedict's two-out double put Atlanta runners at second and third in the ninth, but Valenzuela (14-8) fanned pinch-hitter Terry Harper to end the game.

Phillies 2, Cubs 0

In Philadelphia, Mamie Trillo's errorless streak ended at 89 games and 479 chances, but the crowd gave her a standing ovation. It also cheered Mike Schmidt's

fourth homer in four straight games and a combined three-hitter by Marty Bystrom and Porfy Altimirano that gave Philadelphia a 2-0 victory over Chicago. Trillo was charged with an error when he failed to hold Bill Buckner's grounder in the seventh.

Cardinals 10, Expos 1

In Montreal, Keith Hernandez led off what became a five-run St. Louis sixth inning with a home run, and George Hendrick hit a two-run homer that inning. The rally gave Steve Mura a 7-0 lead.

BASEBALL ROUNDUP

and he coasted in with an eight-hitter that gave St. Louis a 10-1 triumph over Montreal. The Expos left 12 on base, seven in the first three innings, against Mura (5-7). He had a shutout until the eighth in beating Ray Burris (4-12).

Mets 9, Pirates 4

In New York, Mike Jorgenson's pinch-hit double and Joel Youngblood's bases-loaded single keyed a four-run seventh inning off the Pirates' Kent Tekulve with which New York broke a five-game losing streak and racked up a 9-4 victory over Pittsburgh.

Padres 5, Reds 4

In Cincinnati, Sixto Lezcano drove in all five San Diego runs in the first game, hitting two homers and two doubles, to give the Padres a 5-4 victory over Cincinnati in the opener of a doubleheader. Then Lezcano singled to break a 2-2 tie in the fifth inning of the second game and got his third home and seventh RBI of the night in the seventh inning to help San Diego to a 6-2 triumph.

Giants 5, Astros 4

In Houston, Jack Clark's leadoff homer and Jeff Leonard's two-run double fueled a five-run second inning that stood up as San Francisco won the first game of a doubleheader against Houston, 5-4. In the second game, Alan Knicely's homer backed an eight-hitter by Mike LaCosta and Frank LaCorte to end the game.

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to give Houston a 5-0 victory over the Giants.

Brewers 4, Indians 2

In the American League, at Milwaukee, the Brewers scored three times in the first inning with the help of Cleveland's three throwing errors on one play. They defeated the Indians, 4-2, behind the five-hitter pitching of Mike Caldwell and Rollie Fingers.

White Sox 7, Red Sox 5

In Chicago, Harold Baines drove in two runs with a homer and a double and Tony Bernazard tripled in two as Chicago beat Boston, 7-5.

Rangers 9, Yankees 2

In Arlington, Texas, Jim Sundberg hit a two-run double in a three-run first to help beat New York, 3-2, and give Darrell Johnson his first triumph as Texas manager. Sundberg's two-out double brought in Mickey Rivers and Bill Stein after Stein's fielder's choice off Doyle Alexander (0-4) had scored Billy Sample.

A's 3, Twins 2

In Oakland, Mike Heath's two-run single with two out in the bottom of the eighth beat Minnesota, 3-2. Rickey Henderson, who has stolen 99 bases for Oakland in 104 games, was hitless in four at-bats. It was only the 11th game this season in which he has failed to reach base.

Blue Jays 1, Tigers 0

In Toronto, Jess Barfield's two-out pinch-hit single to center in the bottom of the 10th scored Damaso Garcia from second base as Detroit edged Detroit, 1-0. It was Detroit's fourth straight loss.

Mariners 9, Angels 3

In Anaheim, Calif., Joe Simpson homered and doubled to drive in three runs, including two in a six-run fourth inning, lifting Seattle to a 9-3 victory over California.

Royals 2, Orioles 0

In Kansas City, Mo., Vida Blue pitched his first shutout game since 1980 to give Kansas City a 2-0 victory over Baltimore.



The Associated Press
Glenn Hubbard, the Braves' second baseman, reaches for the ball thrown by catcher Bruce Benedict but was not able to tag Dusty Baker of the Dodgers who slid in safely with a stolen base.

San Francisco Decision Applauded

By Gordon S. White Jr.

New York Times Service

NEW YORK — Prominent coaches and directors of intercollegiate athletics say that they view the University of San Francisco's decision to drop varsity basketball as a bold and courageous move.

The school had been placed on probation by the National Collegiate Athletic Association for the 1979-80 season and then for 1980-81. Improper payments to athletes and illegal recruiting were among the reasons given by the NCAA.

This year, an investigation by the school's board of trustees disclosed that Quintin Dailey, the star of the team last season, had been given about \$5,000 in illegal payments by an alumnus.

In a survey Friday, the coaches and athletic directors expressed admiration for the Rev. John L. LoSchiavo, the university president, who made the decision that was approved by San Francisco's board of trustees. The announcement was made Thursday. LoSchiavo was described by one coach as a leader who is setting an example for the "fainthearted" in college athletics.

San Francisco began varsity basketball in 1924, won the NCAA championship in 1955 and 1956

and appeared in 15 NCAA tournaments the most recent last March.

LoSchiavo, in a statement Thursday, said that the school was dropping basketball to preserve its "integrity and its reputation."

Dean Smith, the head basketball coach at the University of North Carolina, said: "It is surprising.

But you have to admire the courage of the president because he is responsible. When he couldn't enforce what he wanted there he was right. The integrity of the university is far more important."

Smith led North Carolina to the NCAA championship last March when the Tar Heels defeated Georgetown. He also coached the United States to the gold medal in the 1976 Olympic Games.

Joe Paterno, Penn State's football coach and a longtime critic of the failures to curb abuses in college athletics, said: "I very much admire Father LoSchiavo. I think if you can't control it and control the people who refuse to understand that a school has a primary function to be an academic institution with integrity, then athletics is not worth it, no matter how important they are. Athletics are not worth that price."

Speaking of the alumni who were involved in many of San

Francisco's problems, Paterno said: "It's the booster clubs. We in intercollegiate athletics can probably control everything else but them."

Notre Dame's director of athletics, Gene Corrigan, said: "They were embarrassed by it. But they showed the world where the priorities are. I call it a bold, bold step. I used to say that if anyone did anything like that the school should drop the sport."

Bill Flynn, athletic director of Boston College, said: "I can appreciate the problem. It is extremely difficult to control people on the outside and know what they are doing. You have to have institutional control and that is about what they are saying — they don't."

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ties are. I call it a bold, bold step."

Bill Flynn, athletic director of

Boston College, said: "I can ap-

preciate the problem. It is extremely

difficult to control people on the

outside and know what they are

doing. You have to have institu-

tional control and that is about

what they are saying — they don't."

Speaking of the alumni who

were involved in many of San

Francisco's problems, Paterno said:

"It's the booster clubs. We in

intercollegiate athletics can proba-

bly control everything else but them."

Notre Dame's director of ath-

letics, Gene Corrigan, said: "They

were embarrassed by it. But they

Kosinski: Author or Co-Author?

By Dave Smith
Los Angeles Times Service

NEW YORK — In an imbroglio that could have come from one of his own novels, the author-celebrity-actor Jerzy Kosinski is the accused in a literary whodunit not of his invention. Two journalists, Geoffrey Stokes and Eliot Fremont-Smith, in the June 22 issue of New York's weekly Village Voice, charged that Kosinski had hired editorial assistance so substantial as to amount almost to co-authorship of at least three novels.

Stokes and Fremont-Smith also suggested that two early nonfiction, sociological narratives that Kosinski published under a pseudonym were ghostwritten and financed by the CIA.

The writers further alleged that Kosinski's first novel, "The Painted Bird" — critically hailed as a small masterpiece and a linguistic tour de force for any foreign-born author to have penned in English — was first written in Polish, then rendered into English by an unacknowledged translator.

They also contended that Kosinski had given conflicting accounts of his childhood muteness, his escape from Nazi-dominated Poland and the beginnings of his U.S. career as a writer of English.

Kosinski angrily denied the claims, insisting in an interview that his reputation has been defamed, but reiterating that he has no thought of suing the writers or the newspaper. "I can't very well, can I?" he asked, pointing out that for some years, as president of the American Center of P.E.N., he was particularly outspoken on First Amendment rights.

An Easy Target

Kosinski was repeatedly characterized in the Voice article as a person to whom the truth is not so important as creating an effect. Said Stokes and Fremont-Smith: "Kosinski is, it should be noted, an absolutely compelling teller of tales. Whether he is providing after-dinner entertainment at the [Oscar] de la Renta or charming the brains out of a reporter, he is a pleasure to be with. But in the frantic manufacture of fables, as if to cloak his hollowness, Kosinski is, if anything, too inventive."

"I'm an easy target," Kosinski said recently in his two-room office-apartment in Manhattan. "There are a lot of people who probably don't like me — who don't like my politics, the way I write about sex, who don't like what is perceived as my lifestyle. But to do this! To say I don't write my own books!"

"And this claim that I am connected with the CIA. Absolutely untrue. What I am afraid of is that my European publishers will just drop me. In Europe, the suggestion of a CIA connection is even worse than here. But what can I do? The charges have been made. The damage is done."

Friends and former editors of Kosinski have rallied to his cause with letters to the Voice, and all but one of the people cited in the article as possible unnamed contributors to Kosinski's career and/or books have disavowed the article's portrayal of their roles. Undeterred, both staff writer Stokes and chief book critic Fremont-Smith said they stood by the article, which they said has attracted other people, previously unknown to them, who could shed light on Kosinski's past. They said they plan another story with further revelations and documentation. As to the disavowals by their sources for the original article, both writers suggested that the sources lack

credibility. Stokes said the sources may have had second thoughts after Kosinski talked to them.

Kosinski invited a reporter to hear his version of the disputed events of his life and to examine the laboriously reworked galleys of several novels.

One immediate impression leaped from those galleys: The meticulous Kosinski must be a publisher's nightmare. Even after a book is set in type, Kosinski pruning, rewrites, edits and condenses as if the galleys were mere notes. In this fashion, Kosinski said, he normally runs through three or four sets of galleys and two or three sets of page proofs.

Whether myth or fact, Kosinski's life and fiction have long been so intertwined that his readers generally despair of knowing where autobiography ends and imagination begins.

Parents Fleed From Russia

Here, briefly, is what the reference work Current Biography says:

Jerzy Nikodem Kosinski was born on June 14, 1933, in Lodz, Poland, the only child of a philologist father and concert pianist mother who had fled from Russia. When he was 6, a Nazi Germany invaded Poland, his Jewish parents sent him to the Ukraine in the care of a peasant woman, then went into hiding themselves. But the peasant vanished, and for the next six years the boy drifted from village to village, brutally treated by peasants. After the war his parents found him in an orphanage, struck mute by some trauma during his wanderings. He regained his speech at age 15, while recuperating from a skiing accident.

Kosinski took master's degrees in history and political science in 1953 and 1955 at the University of Lodz, then embarked on a study of 19th-century Russia at the Polish Academy of Sciences (then Lomonosov University) and the Soviet Academy of Sciences in Russia, where he was twice suspended for his increasingly nonconformist behavior.

Eager to leave Poland, he began his first work of fiction: He created four nonexistent professors to write, on false but official-looking letterheads, recommendations that he be given a passport to accept a phony foundation grant in the United States.

Application Suspect

He arrived in New York in December, 1957, with the repeated story goes, \$2.80 in his pocket and only a rudimentary knowledge of English. Soon after his arrival, he secured a Ford Foundation grant of \$2,000 a year that was extended for three more years, through 1961. He studied at Columbia University toward a doctorate he never completed.

Stokes and Fremont-Smith found it suspicious that Kosinski, in his application for the Ford grant, kept mum about how he had got out of Poland. Similarly, when he published "The Future Is Ours, Comrade" in 1960 and "No Third Path" in 1962 — sociological reports of his observations in Russia — he did so under the pseudonym Joseph Novak.

The Doubleday editor who handled the first Novak book was Adam Yarmolinsky, who was quoted by Stokes and Fremont-Smith as saying the manuscript "came in clean. There was virtually no editing to do on it." Yarmolinsky also told the writers that he never met Novak-Kosinski and that all work on the book was handled through an intermediary to protect Novak's identity.

Kosinski has an explanation, of course. First, he said, there was the matter of language. "What I had

told someone years ago was that I arrived with a rudimentary knowledge of 'colloquial American idiom' and that got misreported as 'a rudimentary knowledge of English.' In fact, I had already studied English for seven years in Poland, got straight A's and was quite conversant with the language of the American sociological journals I studied. But I never bothered to correct that misquotation before because I was never before questioned this way."

Parents Were in Lodz

As for the Novak pseudonym, Kosinski said: "My parents were still living in Poland, in Lodz. I had to keep the true story of my escape a secret to ensure their safety. There would have been retribution against them if my coming to this country were seen as a political defection."

Another point of contention with the Kosinski legend in the Voice article — indeed, the first point it raised — was that of Kosinski's childhood innocence. In a Feb. 21, 1962, profile in The New York Times Magazine, Barbara Gehl wrote that "Kosinski's dreadful journey reached its climax, when, age 9, he was flogged for punishment by sadistic peasants into a pond of human ordure that closed over his head. Something in his mind clicked off and he was struck mute."

But in a recent Penthouse interview, Stokes and Fremont-Smith pointed out, Kosinski said he became mute in June, 1942, "while I was serving a Mass as one of the altar boys. I was supposed to transfer the Bible from one side of the altar to another but fell with it. I am convinced I lost my speech from the tension before the actual fall."

More significantly at issue is the Stokes/Fremont-Smith theory that "The Painted Bird" was written in Polish, then turned into English by an unacknowledged translator. In 1973, the Voice reporter said, a woman named Helena Bastianello wrote to The New York Times claiming she had answered an ad in the March 7, 1964, Saturday Review for a Polish translator. She met with the advertiser a week or two later for three and a half hours, during which he gave her a scenario of a fictional work. She said, "There was one hitch, unique in my experience. He was adamant about his refusal to give me credit for the translation or have my name mentioned in connection with the preparation of the book." She said she refused.

Found by Stokes, Bastianello reiterated that she was sure the man was Kosinski and that when "The Painted Bird" appeared, she found it to be substantially the story the man had outlined. Kosinski swears that it is not, that no such manuscript ever existed in Polish because he was inhibited by both the languages of his horrendous childhood, Polish and Russian, and that he has always preferred the richness and variety of English.

The charges relating to Kosinski's later works stem from interviews with three former editorial assistants of Kosinski — two of whom have since backed off from what Stokes and Fremont-Smith said they were told.

In describing his method of galley-reworking, Kosinski is said to have told Fremont-Smith of hiring editorial assistants to help keep track of the many transmutations, making sure that the newest additions, deletions and corrections were properly transferred as the book made its tortuous way, usually taking about three years, toward publication.



Writer Kosinski: Literary whodunit.

The quarrel seems to revolve, in part, on whether Kosinski referred to these assistants as proofreaders, editors, clerical workers, just plain hired help or all of the above. It also seems to revolve, in part, on what terms Stokes and Fremont-Smith told their sources that Kosinski used to describe them and how offended they felt.

Both Stokes and Fremont-Smith acknowledged that neither knew how much help Kosinski has hired that could be construed as verging on collaboration or unacknowledged co-authorship. Both conceded that, if Kosinski had ever made a practice of acknowledging assistance, they would never have embarked on the article.

Leslie Pockell of St. Martin's publisher of "Passion Play" said he felt that Stokes and Fremont-Smith had "played upon the ignorance of the general public about the conventions of publishing." He added: "In turn Kosinski's working methods into something sinister makes one wonder about their motives."

Stokes and Fremont-Smith said they got on the trail of the story because of "literary gossip" they said has circulated in New York for years and because Kosinski had always claimed no outside help. "We're not accusing Kosinski of anything criminal," Stokes said, "just a deception about the way he does his work."

The truth or falsity of the allegations, reposing as it does in unexamined files, privileged communications and off-the-record sources, may well give rise to a literary detective yarn that could become part of the exotic Kosinski image. Whatever the reading public chooses to perceive about *L'Affaire Kosinski* — or whether it really gives a damn — only Kosinski, who stands by his stories and lives on their sales, will experience the aftereffects.

LETTER FROM PARIS

Vive la Technologie!

By Nicholas Skrotzky

PARIS — French scientists have wedded television, the telephone and the computer to spawn a technological system known as telematics.

The system, currently being pioneered in a few pilot areas near Paris, will eventually provide homes with a vast storehouse of information that can be used for purposes ranging from education and games to business, shopping and weather reports.

To appreciate the practical value of the system in its most elementary form, imagine a simple citizen planning to take his family on their summer vacation.

He reaches for the telephone and dials a number, and a railway schedule flashes onto his television screen. Then, seating himself at a keyboard, he can summon up all kinds of details relevant to the journey — such as arrival and departure times, and the stations along the way.

Childish Enthusiastic

The system is so simple to operate, in fact, that its most enthusiastic users in the pilot area are the children of the more than 2,000 French families that have agreed to serve as guinea pigs in the current stage.

The experiment, started just a year ago, is being conducted in several localities not far from Paris. In each place, data banks were set up and linked by telephone cables to keyboards attached to television sets in homes.

Under the arrangement, families pay for information just as they would for a telephone call. The present rate is the equivalent of 12 cents for five minutes. An automatic clock keeps track of the time.

Households plugged into the system can call up about 150 different services among them stock market quotations, mail order catalogs, theater programs and the like. About 60 newspapers throughout France also contribute to an "electronic journal" that furnishes a constant flow of news.

Much of the information is fed into the data bank by local stores and companies as well as by government bureaus, which rely on the system to put out various public announcements.

One of the most successful features is a message service, which

permits amateur musicians, weekend archaeologists, stamp collectors, cat lovers and other hobbyists to communicate with each other.

During its first six months, the system recorded a total of 71,000 calls, an average of nearly 33 per household. The largest number were made on weekends and on Wednesdays, afternoons, when French children get half-day off from school.

An original concern was that parents might prevent their kids from using the system, which runs up the telephone bill. But the revenues indicate that families are paying, perhaps because they welcome the introduction of their children into the electronic age.

The impulse for the project came in 1978, when two French specialists, Simon Nora and Alain Minc, drafted a study recommending that the government turn its attention to the "informatization" of the nation.

The idea seemed somewhat dreamy at the time, since France's telephone network was still woefully underdeveloped. But Gerard Therry, the chief of the government's telecommunications department, promoted the project, with the result that the pilot program got started.

Not everyone is enthusiastic. Some families in the pilot area view the system as little more than a gadget — and some that frequently breaks down, at that.

Part of the problem is habit. One housewife points out, for example, that she simply prefers to leaf through her cookbook rather than summon up a recipe on the television screen, another of the services available under the system.

Violations of Privacy

A more serious misgiving being voiced by critics is that it could lead to violations of privacy if data banks yield up personal information on people.

On the other hand, the system is praised by professionals such as doctors, who can transmit diagnoses of patients electronically. Farmers, always in need of fresh agricultural information, also value the system.

The prospects are that a half-million French households will be linked to the telematic system by 1985. And perhaps by then, France's archaic telephones may be improved as well.

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